Working conditions in the Bangladesh Readymade Garments Industry: Is Social compliance making a difference?

Submitted by

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University of La Trobe

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Ferdous Ahamed

September 2011
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Introductory Summary

The Readymade Garments (RMG) sector has a greater potential than any other sector to contribute to the reduction of poverty in Bangladesh. The sector rapidly became important in terms of employment, foreign exchange earnings and its contribution to Gross Domestic Product (GDP). Despite the phenomenal success of the RMG sector, poor working conditions in the factories and a lack of Social compliance\(^1\) are serious concerns, which have, since 2006, led to labour unrest and damage to institutions and property. As a result, there is a rising fear in Bangladesh that the readymade garments sector may face a decline in demand. Social compliance in the RMG industry is a key requirement for most of the world’s garments buyers. It ensures labour rights, labour standards, fair labour practices and a Code of Conduct.

Working conditions in the RMG sector are below standard and do not meet the ILO standards. Labour standards and rights commonly ignored in the RMG factories in Bangladesh: poor practices include the absence of trade unions, informal recruitment, and irregular payment, sudden termination, wage discrimination, excessive work, and abusing child labour. Workers suffer various kinds of diseases due to the unhygienic environment, and a number of workers killed in workplace accidents, fires and panic stampedes. Absence of an appropriate mechanism to ensure the enforceability of the available laws for protecting workers’ rights and maintaining workplace safety continues to be a concern in the RMG sector. As the sector is an important foreign exchange earning component, some changes are required.

The objective of this research is to investigate the current situation and examine working conditions in the Bangladesh readymade garments sector. The study seeks to analyze the roles of the main actors in Human Resources (HR) and Industrial Relations (IR) systems. It emphasizes government, international communities and stakeholder roles, trade union participation and social dialogue practices.

\(^1\) Compliance is defined as code of conduct, specification and or standard that must be followed by business organizations. Compliance issues are recognised by ILO and WTO mechanisms (Anand, 2006).
The research suggests that working conditions may improve with the establishment of a Human Resource Management (HRM) unit or Personnel Management unit in each industry and concludes that this is the highest priority. It proposes setting up a standard through modern HR and IR practices and fair labour practices in collaboration with employers, employees, Trade Union (TU) representatives, multilateral agencies and other stakeholder groups, who could work in synergy under the supervision of an effective and extensive monitoring surveillance system (EMSS).
**Abbreviations**

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>ATC</td>
<td>Agreement of Textile Clothing</td>
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<tr>
<td>AAFL</td>
<td>Asian-African Free Labour Institute (AAFL)</td>
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<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
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<tr>
<td>APTA</td>
<td>Asia Pacific Trade Agreement (APTA)</td>
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<tr>
<td>ASEAN</td>
<td>Association of South East Asian Nations</td>
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<tr>
<td>ATC</td>
<td>Agreement on Textile and Clothing</td>
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<td>AWAs</td>
<td>Australian Workplace Agreements</td>
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<tr>
<td>BB</td>
<td>Bangladesh Bank</td>
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<tr>
<td>BBS</td>
<td>Bangladesh Bureau of Statistics</td>
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<tr>
<td>BACCAMEA</td>
<td>Bangladesh Corrugated Carton and Accessories Manufactures and Exporters Association</td>
</tr>
<tr>
<td>BATEXPO</td>
<td>Bangladesh Apparel and Textile Exposition</td>
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<td>BEPZA</td>
<td>Bangladesh Export Promotion Zone area</td>
</tr>
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<td>BGMEA</td>
<td>Bangladesh Garments Manufactures and Exporters Association</td>
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<tr>
<td>BGWF</td>
<td>Bangladesh Garments Workers’ Federation</td>
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<td>BGWUC</td>
<td>Bangladesh Garments Workers Unity Council</td>
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<td>BIDS</td>
<td>Bangladesh Institute of Development Studies</td>
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<td>BILS</td>
<td>Bangladesh Institute of Labour Studies</td>
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<tr>
<td>BIMSTC-EC</td>
<td>Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation</td>
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<td>BKMEA</td>
<td>Bangladesh Knitwear Exporters and Manufactures Association</td>
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<td>BSIC</td>
<td>Bangladesh Small Industry Corporation</td>
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<td>BTMA</td>
<td>Bangladesh Textile Manufacturers Association</td>
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<tr>
<td>CAFTA-DR</td>
<td>Central America-Dominican Republic Free Trade Agreement</td>
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<td>CBS</td>
<td>Columbia Broadcast System</td>
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<tr>
<td>CEPAA</td>
<td>Council on Economic Priorities Accreditation Agency</td>
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<tr>
<td>CMC</td>
<td>Compliance Monitoring Cell</td>
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<tr>
<td>COC</td>
<td>Code of Conduct</td>
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<tr>
<td>DANIDA</td>
<td>Danish International Development Agency</td>
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<tr>
<td>DTI-CLARA</td>
<td>Department of Trade and Industry-Centre for Labour Relations Assistance</td>
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<tr>
<td>DWP</td>
<td>Democratic Workers Party</td>
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<tr>
<td>Acronym</td>
<td>Full Form</td>
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<tr>
<td>EC</td>
<td>European Council</td>
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<td>EEC</td>
<td>European Economic Community</td>
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<td>EEOC</td>
<td>Equal Employment Opportunity Commission</td>
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<td>ELSOA</td>
<td>Employment Labour Standing Order Act</td>
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<td>EPB</td>
<td>Export Promotion Bureau</td>
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<td>EPIDC</td>
<td>East Pakistan Industrial Development Corporation</td>
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<td>EPZ</td>
<td>Export Promotion Zone</td>
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<td>ETI</td>
<td>Ethical Trading Initiative</td>
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<tr>
<td>ETUF:TCL</td>
<td>European Trade Union Federation of Textiles, Clothing and Leather</td>
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<td>EURATEX</td>
<td>European Apparel and Textile Organization</td>
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<tr>
<td>EU</td>
<td>European Union</td>
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<td>FDI</td>
<td>Foreign Direct Investment</td>
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<td>FLA</td>
<td>Fair Labour Association</td>
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<td>FLEP</td>
<td>Female Labour Force Platform</td>
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<td>FLFPR</td>
<td>Female Labour Force Participation Rate</td>
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<td>FLEPR</td>
<td>Female Labour Force Platform Rate</td>
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<tr>
<td>FTZ</td>
<td>Free Trade Zones</td>
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<td>FWF</td>
<td>Fair Wear Foundation</td>
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<td>GATT</td>
<td>General Agreement Tax and Tariff</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GMAC</td>
<td>Garments Manufacturers Association of Cambodia</td>
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<tr>
<td>GRI</td>
<td>Global Reporting Initiative</td>
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<tr>
<td>GSP</td>
<td>General System of Preference</td>
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<tr>
<td>HR</td>
<td>Human Resources</td>
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<tr>
<td>HRM</td>
<td>Human Resource Management</td>
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<tr>
<td>ICFTU</td>
<td>International Confederation of Free Trade Unions</td>
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<tr>
<td>ILO</td>
<td>International Labour Organization</td>
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<tr>
<td>ITUC</td>
<td>International Trade Union Confederation</td>
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<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
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<tr>
<td>IPEC</td>
<td>International Program for the Elimination of Child Labour</td>
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<td>ICC</td>
<td>International Communist Current</td>
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<tr>
<td>IR</td>
<td>Industrial Relations</td>
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<td>IRO</td>
<td>Industrial Relation Ordnance</td>
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</table>
JIC A - Japan International Co-operation Agency
LC - Letter of Credit
LDC - Least Development Country
LH MU - Liquor, Hospitality and Miscellaneous Union
LMC - Labour Management Councils
LRAL - Labour Relations Adjustment Law
LSL - Labour Standards Law
MESH - Management, Environment, Safety and Health
MFA - Multi-Fiber Agreement
MFN - Most Favoured Nation
MoU - Memorandum of Understanding
NAALC - North American Agreement on Labour Cooperation North
NAFTA - American Free Trade Agreement
NGO - Non-Government Organization
NIE - Newly Industrialized Economy
NGWF - National Garments Workers’ Federation
NLC - National Labour Committee
NRC - National Research Council
OECD - Organization for Economic Co-operation and Development
OHS - Occupational Health and Safety
PGA - Policy and Global Affairs
RMG - Readymade Garment
RMGI - Readymade Garment Industry
SAARC - South Asian Association for Regional Cooperation
SAPTA - South Asian Preferential Trade Area (SAPTA)
SCF - Social Compliance Forum
SDNP - Sustainable Development Networking Program
SHAPE - Safety, Health, Attitude of Management, People Investment, and Environment Audit
SPMS - Serikat Pekerja Mandiri Shangri-La Jakarta
TATA - Trade Agreement on Textiles and Apparel
TCB - Textile Corporation of Bangladesh
TCF - Textile, Clothing and Footwear (TCF)
TCF - Trillion Cubic Feet
| TLS  | - | Thailand Labour Standards |
| TU   | - | Trade Union               |
| TUL  | - | Trade Union Law           |
| UN   | - | United Nations            |
| UNICEF | - | United Nations Integrated Child Emergency Fund |
| UNCHR | - | U.N. Office of the High Commissioner for Human Rights, |
| UNCTAD | - | United Nations Conference on Trade and Development |
| UNICEF | - | United Nations International Children’s Fund |
| USITC | - | United States International Trade Commission |
| US   | - | United States             |
| UK   | - | United Kingdom            |
| VGCL | - | Vietnam General Confederation of Labour |
| WB   | - | World Bank                |
| WRAP | - | Worldwide Responsible Apparel Production |
| WRWC | - | Workers Representative Welfare Committee |
| WTO  | - | World Trade Organization  |
| ZCTU | - | Zambia Congress of Trade Unions |
Statement of Authorship

Except where reference is made in the text of the thesis, this thesis contains no material published elsewhere or exacted in whole or in part from a thesis submitted for the award of any other degree or diploma. No other person’s work has been used without due acknowledgement in the main text of the theses. The thesis has not been submitted for the award of any degree or diploma in any other institution. All research procedures in the thesis were approved by the Graduate School of Management of La Trobe University, Bundoora, Australia.
Chapter 1
1.0 Background History of Bangladesh

This chapter represents an overview of the Readymade Garments Industry (RMGI) in Bangladesh. The historical growth of the Bangladesh RMG industry from geographical, political and socio-economic aspects is analysed, as is the contribution of RMG workers to the national economy. In addition, this introductory chapter also examines working conditions and the environment in the industry together with the key challenges facing the sector.

1.1.1 Geographical and political structure

Bangladesh has emerged from a long history of political evolution. Bengal was the wealthiest part of the Indian subcontinent until the 16th century. The history of Bengal from the fall of the Mauryas (2nd century BC) to the rise of the Guptas (4th century AD) is obscure. After the Guptas it was mainly the Pal and Sen Dynasties ruling this region until the Muslim Sultanate period began in the early thirteenth century (1204 AD) (Bharadwaj, 2003). The Sultanate period continued until the Mughal dynasty took charge (1576 to 1757), after which the British East India Company and British Empire ruled over this region till 1947 when India and Pakistan emerged as two independent nations (Choudhury, 2002). Pakistan was divided into two parts, West and East Pakistan, geographically separated (Islam, 2007). Owing to extreme economic, cultural and political oppression and discrimination, the people of East Pakistan chose to be separated from Pakistan. After a bloody nine-month war of independence under the leadership of Bangabandhu Sk Mujibur Rahman (Choudhury, 2002), Bangladesh came into existence as an independent nation in 1971 by sacrificing three million people (Heitzman and Worden, 1988; Islam, 1984).

The People’s Republic of Bangladesh is a country in South Asia. The country is bordered by India on three sides, Myanmar to the southeast, and the Bay of Bengal forms the southern coastline. The Chittagong Hill Tracts, the only significant hill area of the country, consists of hills, hillocks, valleys and forests, and is quite different in
characteristics and habitats from other parts of Bangladesh. Mostly, the hill ranges and river valleys are longitudinally aligned. There are about 254 rivers flowing throughout the country, making it a land of rivers. Bangladesh is located in the low-lying Ganges Delta, formed by the confluence of the Ganges (local name Padma), Brahmaputra (Jamuna) and Meghna rivers and their respective tributaries. The alluvial soil deposited by these rivers has created some of the most highly fertile plains of the world (Haque, 2010; the Columbia Encyclopedia, 2008).

Cox’s Bazar, south of the city of Chittagong, has a beach of over 120 kilometers in length, one of the longest unbroken natural sea beaches of the world. The huge expanse of the world’s largest mangrove forest in the southwest known as the Sundarbans fences the country’s border. This mangrove forest is the home to diverse flora and fauna, including the Royal Bengal Tiger (Haque, 2010; the Columbia Encyclopedia, 2008).

The climate of Bangladesh is tropical monsoon with a mild winter from November to February, a hot, humid summer from March to June and a warm humid monsoon season from June to October (Ali, 1996). Most of the country’s rainfall occurs in the monsoon season. Natural calamities, such as floods, tropical cyclones, tornadoes, and tidal bores affect the country almost every year (Schendel, 2006; Haque, 2010).

Urbanisation is proceeding rapidly, and only about 30% of the population entering the labour force in the future will be absorbed into agriculture, although many will likely find other kinds of work in rural areas (Schendel, 2006)

1.1.2 Culture and Government structure

Bangladesh has a rich historical and cultural past, which combines Dravidian, Indo-Aryan, Mughul, Arab, Persian, Turkish, and west European cultures. Sufi religious teachers succeeded in converting many Bengalis to Islam, even before the arrival of Muslim armies from the west (Schendel, 2006; Islam, 2007). Since the Muslim invaders established political control over the region, Islam has played a key role in the region’s history and politics particularly in the eastern region of Bengal. The majority of the population (about 88.3%) is now Muslim, but Hindus constitute the
largest (10.5%) minority. There are also a small number of Buddhists, Christians, and animists (Islam, 1992; the Columbia Encyclopedia, 2008).

Bengali is the mother tongue of almost the entire population of Bangladesh. About 98% of the people are Bangladeshi or ethnic Bengali and speak Bangla (Islam S., 2007). The indigenous minority groups mostly in the Chittagong Hill Tracts have their own language and dialect, they speaks Tibeto-Burman Languages. Bangla is the state language but English is spoken in urban centres and among educated groups (Britannica Concise Encyclopaedia: Bangladesh, 2008). In 2000, UNESCO declared 21 February International Mother Language Day to celebrate Languages and the ethno-linguistic rights of people around the world. The Bengali Language Movement, also known as the Language Movement (Bengali: ভাষা আন্দোলন; Bhasha Andolon), was a political effort in Bangladesh, advocating the recognition of the Bengali language Bangla as the official language (http://en.wikipedia.org/wiki/Official_language) of Pakistan. Such recognition would allow Bangla to be used in government affairs. Since the separation of India and Pakistan in 1947, the latter consisted of two parts: West Pakistan and East Pakistan (now Bangladesh). In 1948, the Government of Pakistan ordained Urdu as the sole national language, sparking extensive protests among the Bengali-speaking majority of East Pakistan. Facing rising sectarian tensions and mass discontent with the new law, the government outlawed public meetings and rallies (Anwar, 2000). The students of the University of Dhaka and other political activists defied the law and organised a protest on 21 February 1952 (Uma, 2004). The movement reached its climax when police killed student demonstrators and the deaths, provoked widespread civil unrest led by the Awami Muslim League, later renamed the Awami League. The Central Government of Pakistan relented and granted official status to the Bengali language in 1956 (Umar, 2004; Islam, 2007).

After its independence in 1971, Bangladesh became a secular parliamentary democracy, with Bangabandhu Sk Mujibur Rahman (Mujib) as its Prime Minister. The first parliamentary election was held in 1973, the Awami League gained an absolute majority (Choudhury, 2002). Unfortunately, a nationwide famine occurred during 1973 and 1974, and in early 1975, Mujib initiated a one-party socialist rule with his newly formed Bangladesh Krishak Saramik Awami League (BAKSAL).
Mujib and his family were assassinated by the mid-level military officers on 15 August 1975 (Heitzman and Worden, 1988; the Columbia Encyclopedia, 2008). A series of bloody coups and counter-coups in the following three months culminated in the ascent to power of General Ziaur Rahman (Zia), who reinstated multi-party politics and founded the Bangladesh Nationalist Party (BNP). Zia’s rule ended when he was assassinated in 1981 by factional military elements. The next major ruler was General Hossain Mohammad Ershad who gained power in a bloodless coup in 1982 and ruled until 1990. He was forced to resign on 6 December 1990 under western donor pressure in a major shift in international policy after the end of communism where anti-communist dictators were no longer felt necessary (Heitzman and Worden, 1988; Islam, 1984; the Columbia Encyclopedia, 2008). Zia’s widow, Khaleda Zia, led the Bangladesh Nationalist Party to parliamentary victory at the general election in 1991 and became the first female Prime Minister in the country’s history. However, the Awami League headed by Sheikh Hasina, one of Mujib’s surviving daughters, clinched power at the next election in 1996 but lost to the Bangladesh Nationalist Party again in 2001 after the country had suffered from extensive corruption, disorder and political violence (Islam, 1984). On 11 January 2007, following widespread violence, a caretaker government was appointed to administer the next general election. The new caretaker government has made it a priority to root out corruption from all levels of government. Following that, many notable politicians, lesser officials, and party members were arrested on corruption charges. The election was finally held on 29 December 2008, and after almost two years at the helm, the Awami League won the election with a two-third majority (Source: The Daily Prothom Alo, 30 December, 2008).

Since the early 1970s, Bangladesh has been a parliamentary democracy, with intermittent military coups. The President is the head of state, a ceremonial post, and the Prime Minister holds the real power. The Prime Minister is a member of parliament (MP) ceremonially appointed by the President. The Prime Minister must command the confidence of the majority of the MPs (Heitzman and Worden, 1988). The cabinet is composed of ministers selected by the Prime Minister and appointed by the President. The unicameral parliament is the 300-member House of the Nation or Jatiyo Sangshad, elected by popular vote from single-member constituencies for five-year terms. There is universal suffrage for all citizens from the age of 18 (Schendel,
Bangladesh has its own system for the transfer of political power. At the end of a government’s mandate, power is transferred to a neutral caretaker government composed of representative members of society. The caretaker government has up to 3 months, and to hold a general election, afterwards transferring power to the elected representatives (Atique, 2010). This transitional arrangement was pioneered by Bangladesh in the 1991 election, and it was institutionalised in 1996 through its 13th constitutional amendment (Islam, 2009).

The judicial system is modelled on the British system. The judicial system consists of a Low Court and a Supreme Court, both of which hear civil and criminal cases. The Low Court consists of administrative courts (magistrate courts) and session judges (Islam, 2010). The Bangladesh Public Service Commission under the Ministry of Establishment and Ministry of Law and Justice recruits Law court judges. The Supreme Court also has two divisions, a High Court, which hears original cases and reviews decisions of the Low Court, and an Appellate Court, which hears appeals (Islam, 2010). The Prime Minister nominated and formally appointed by the President (Heitzman and Worden, 1988). A backlog of appeal cases remains the major problem of the court system (Islam, 2010).

Bangladesh pursues a moderate foreign policy that places heavy reliance on multinational diplomacy, especially at the United Nations. The main strategy is to make no enemies and to develop good friendships all over the world. Consequently, Bangladesh joined both the Commonwealth of Nations and the United Nations in 1974 and was twice elected to the Security Council, in 1978-1979 and 2000-2001 (Islam, 2009). Bangladesh played a leading role in founding the South Asian Association for Regional Cooperation (SAARC) in 1980 in order to expand relations with other South Asian states. Since the SAARC Summit in 1985, a Bangladeshi has held the post of Secretary General on two occasions (Heitzman and Worden, 1988: the Columbia Encyclopedia, 2008).

Since independence in 1971, Bangladesh has received more than $30 billion in grant aid and loan commitments from foreign donors, about $15 billion of which has been
disbursed (WB, 2008). Major donors include the World Bank, the Asian Development Bank, UNDP, and the United States, Japan, Saudi Arabia, and West European countries. Foreign reserves dropped in 2001 rose steadily in the following years, reaching a total of US$ 10.949 billion at the end of 2010 (Islam, 2009; WB, 2010; IDLC Finance Limited, 2010). The second largest source of foreign remittances is from several million Bangladeshis working overseas (EPB, 2007). In addition, the founder of Grameen Bank, Professor Muhammad Yunus (awarded the Nobel Peace Prize in 2006), is a significant contributor to the development of the rural economy through the Grameen Bank. Grameen Bank had 2.3 million members in addition to the 2.5 million members of other similar microfinance organisations in the late 1990s (Raghuram, 2008).

1.1.3 Natural Resources

Bangladesh has reserves of various important natural resources such as natural gas, coal, limestone, hard rock, gravel, glass sand, white clay, brick clay, peat, and beach sand heavy minerals. Natural gas is the most important of these resources, on which the Bangladesh economy largely depends. There are about 22 discovered gas fields in Bangladesh of various sizes, totaling about 20 to 25 trillion cubic feet (the Columbia Encyclopedia, 2008). Most of the gas fields are dry; a few fields are wet with considerable amounts of condensate. Bangladesh is essentially a mono-energy country: 70% of commercial energy comes from natural gas. In terms of consumption, the power sector ranks the highest (44%); the fertilizer sector second (28%); and industry, domestic, commercial and other sectors together rank third (22%) (Haque, 2010). At present 12 gas fields, public and private are in production with a gas supply between 900 and 930 million-cubic-feet-of-gas-measurement (MMCFG) per day (the Columbia Encyclopedia, 2008).

1.1.4 Agriculture

Bangladesh is an agricultural country and is covered in highly fertile soil, and with a widely available water supply. Agriculture has historically been utterly dependent upon the vagaries of the monsoon. A poor monsoon has always meant poor harvests and the threat of famine. Among the remedial measures adopted has been the
construction of a number of irrigation projects designed to control floods and to conserve rainwater for use in the dry months. The most important are the Karnaphuli Multipurpose Project in the southeast, the Tista Barrage Project in the north, and the Ganges-Kabadak Project serving the southwestern part of the country (Siddiqi, 2004).

Rice is the main food Bangladesh and usually it is harvested three times in a year. Jute and tea are principal sources of foreign exchange. Other important agricultural products are wheat, mustard, pulses (leguminous plants, such as peas, beans, and lentils), onion, potatoes, sweet potato, various kinds of oilseeds, sugarcane, tobacco, and fruits such as bananas, mangoes, and pineapples (Haque, 2010). Bangladesh’s labour-intensive agriculture has achieved steady increases in food grain production despite the frequently unfavorable weather conditions, due to the better flood control and irrigation, a generally more efficient use of fertilizers, and the establishment of better distribution and rural credit networks (Heitzman and Worden, 1988). At present, some three-fifths of the populations are engaged in farming (Haque, 2010). Finding alternative sources of employment will be a daunting problem for future governments, particularly with the increasing numbers of landless peasants who already account for about half of the rural labour force.

1.1.5 Economy

Bangladesh has many impediments to economic growth: natural disasters such as frequent cyclones and floods; inadequate management systems such as inefficient state-owned enterprises, inefficient use of energy resources (such as natural gas), lack of power supplies, and poor port management facilities; political and economic problems such as slow implementation of economic reforms, political instability, and top to grassroots corruption; and a highly intensive labour force that has outpaced jobs (Source: Britannica Concise Encyclopedia: Bangladesh, 2008; Heitzman and Worden, 1988). However, the most important obstacles are poor governance and weak public institutions, which hinder both the development of infrastructure as well as human rights.

Nevertheless, the country has achieved an average annual growth rate of 5% since 1990, according to the World Bank Report 2008. At the end of the last fiscal year
2006-2007 GDP stood at US$ 66 billion. In the fiscal year 2007-2008 the Bangladesh economy signaled positively in most of economic indicators, achieving a growth of 6.51 (ADB and BB Report, 2008). Consequently, Bangladesh has seen expansion of its middle class, and its consumer industry also grown visibly (see Table 1 below).

Table 1: Relevant Information about the Bangladesh Economy

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>July 1 to June 30</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Annual GDP growth rate (FY 2007)</strong></td>
<td>6.51 %; (FY 2008 World Bank est): below 6.0</td>
</tr>
<tr>
<td><strong>Current GDP:</strong></td>
<td>$228.4 billion (2008 est)</td>
</tr>
<tr>
<td><strong>Per capita GDP (2007 est)</strong></td>
<td>$1,500 (2008 est)</td>
</tr>
<tr>
<td><strong>Inflation (December 2007)</strong></td>
<td>11.59% (point to point basis) and 9.11% (monthly average basis)</td>
</tr>
<tr>
<td><strong>Exchange rate</strong></td>
<td>FY 2003: U.S. $1=Taka 57.90; FY 2006: U.S. $1=Taka 69.43; FY 2007 (January): U.S. $1=Taka 69.69; FY 2008 (January): U.S. $1=Taka 68.58.</td>
</tr>
<tr>
<td><strong>Annual budget (FY 2008)</strong></td>
<td>$12.44 billion</td>
</tr>
<tr>
<td><strong>Natural resources</strong></td>
<td>Resources - Natural gas, fertile soil, abundant water.</td>
</tr>
<tr>
<td><strong>Agriculture (21.1% of GDP)</strong></td>
<td>Product- rice, jute, tea, sugar, wheat</td>
</tr>
<tr>
<td><strong>Industry (manufacturing; 28.8% of GDP)</strong></td>
<td>Types - garments and knitwear, jute goods, frozen fish and seafood, textiles, fertilizer, sugar, tea, leather, ship-breaking for scrap, pharmaceuticals, ceramic tableware, newsprint.</td>
</tr>
<tr>
<td><strong>Main export partners</strong></td>
<td>US 23%, Germany 13%, UK 9.1%, France 5.5%, Belgium 4% (2007), BEP, 2008</td>
</tr>
<tr>
<td><strong>Main import partners</strong></td>
<td>China 15%, India 14.3%, Kuwait 8.3%, Singapore 6.2%, Hong Kong 4.2% (2007), BEP, 2008</td>
</tr>
</tbody>
</table>

ADB and Bangladesh Bank report and Bangladesh Economy Profile 2008

Dhaka and Chittagong (the country’s main port) are the principal industrial centers; they manufacture, process and export clothing and cotton textiles, jute products,
newsprint, and chemical fertilizers, leather, frozen and dried fish shells and shrimp. The main export trade partners are USA, Germany, UK, France, Italy, Canada, Belgium, Netherland and Japan (EPB, 2006; Uddin and Jahed, 2007; BEP, 2008). Table 2 below demonstrates that total exports 2007-2008 reached US$ 1,411.80 million, 15.85 percent higher than the previous year (Chowdhury, 2008).

Table 2: Bangladesh Export (2003-2008)

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Export Earnings (Million US$)</th>
<th>(+) increase</th>
<th>Increase in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003-2004</td>
<td>7,602.99</td>
<td>+ 1,054.55</td>
<td>+ 16.10%</td>
</tr>
<tr>
<td>2004-2005</td>
<td>8,654.00</td>
<td>+ 1,051.01</td>
<td>+ 13.83%</td>
</tr>
<tr>
<td>2005-2006</td>
<td>10,526.16</td>
<td>+ 1,872.00</td>
<td>+ 21.63%</td>
</tr>
<tr>
<td>2006-2007</td>
<td>12,180.00</td>
<td>+ 1,653.84</td>
<td>+ 17.71 %</td>
</tr>
<tr>
<td>2007-2008</td>
<td>14,110.80</td>
<td>+ 1,930.80</td>
<td>+ 15.85%</td>
</tr>
</tbody>
</table>

Source: Export Promotion Bureau and Bangladesh Bureau of Statistics

The major imports are capital goods, chemicals, iron and steel, textiles, food, vegetable oils and petroleum products mainly from Western Europe, the United States, India, Japan, China and Singapore. Total imports for 2007-2008 were $17.15 billion (EPB, 2007; BBS, 2008).

1.1.6 RMG export start ups and the Bangladesh economy

On the formation of Bangladesh in 1971, the new government set up policies, rules and regulations, which control the economy, partly in accordance with its socialist orientation. Most private and autonomous organisations and companies including banks were nationalised. Limits were imposed on private investment and on direct foreign investment. Direct foreign investment was allowed only in collaboration with the public sector (Rashid, 2006).

From 1972 to 1975, under Mujibur Rahman, the state sector controlled 92% of the modern industrial fixed assets, which suffered a chronic loss due to various internal and external constraints (Sobhan and Ahmad, 1980; Mascarenhas, 1986; BBS, 1999). Major causes of the poor performance of the nationalisation policy were
mismanagement, outdated machinery, lack of material and foreign exchange, political instability, manipulations of labour unions by political parties and worsening terms of trade for the country’s primary export product, jute.

After President Mujibur Rahman’s assassination in 1975, the new administration of Khondokar Mushtaq Ahmed (August-November, 1975) began moving away from the socialist policies of the previous government to more market-oriented ones. Then, after an unstable period of coups and counter-coups, the new president, General Ziaur Rahman (Zia), reversed many of the socialist policies. Zia was generally considered pro-market and laissez-faire, even though his administration would frequently intervene in the economic development process (Heitzman and Worden, 1988; Islam, 1984). When General Hussain Muhammad Ershad came into power in 1982, Socialism was further eroded; Ershad made moves towards foreign investment and considered introducing many liberal policies like open markets, free markets, and tax holidays (Rashid, 2006).

Until very recently, the main source of foreign income was jute fibre. The world export market peaked at 80% during the Second World War and the late 1940s, and even in the early 1970s, jute accounted for 70% of Bangladesh’s export earnings (Haque, 2010; Spinanger, 1986). The share of the jute sector in foreign exchange earnings started to decline due to various synthetic substitutes and artificial fibres entering the market since 1980s. Between 1980/81 and 1999/00, exports of both raw jute and jute products declined in absolute terms and their total share declined to only 6% in 1999/00 (Vries, 2007). The Varies (2007) report revealed that in 2000, 5% of all the exports from Bangladesh consisted of jute, and in 2004, this had decreased to 3% (see Figure 1 below).
With the significant decrease in world demand for jute fibre leading to declining prices, together with the constant threat of flooding, the contribution of the jute sector to the country’s economy declined. The focus soon shifted to the production sector, especially garments industry.

Table 3: Category wise exports July-February, 2006-2007

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Volume</td>
<td>Value US$ m</td>
</tr>
<tr>
<td>1. Raw Jute (‘000,000 bales)</td>
<td>1.927</td>
<td>83.80</td>
</tr>
<tr>
<td>2. Jute goods (excl. carpet) (‘000,000 tones) ton)</td>
<td>0.322</td>
<td>189.54</td>
</tr>
<tr>
<td>3. Tea (in million kg)</td>
<td>1.47</td>
<td>2.42</td>
</tr>
<tr>
<td>4. Frozen Food (in million pound)</td>
<td>71.12</td>
<td>331.23</td>
</tr>
<tr>
<td>5. Leather (in million square feet)</td>
<td>35.99</td>
<td>150.15</td>
</tr>
<tr>
<td>6. Readymade garments (in million dozen)</td>
<td>77.10</td>
<td>2698.50</td>
</tr>
<tr>
<td>7. Knitwear (in million dozen)</td>
<td>115.45</td>
<td>2636.87</td>
</tr>
<tr>
<td>8. Chemical Products (in thousand metric ton) of which (fertilizer)</td>
<td>N.A (212.27)</td>
<td>104.27 (54.61)</td>
</tr>
<tr>
<td>9. Agricultural Products* (‘000 tonnes)</td>
<td>15.70</td>
<td>34.42</td>
</tr>
<tr>
<td>11. Others</td>
<td>N.A</td>
<td>675.94</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>N.A</td>
<td><strong>7039.70</strong></td>
</tr>
</tbody>
</table>

*Source: Export Promotion Bureau, 2007
(NB. N.A = Not Available)
Table 3 and Figure 2 show that during July-January, 2006-2007, exports of knitwear and readymade garments recorded robust growth, with exports of frozen food, engineering and electronics goods, leather and raw jute also experiencing some increase (EPB, 2007). On the other hand, exports of jute goods (excluding carpet), chemical products, tea and agricultural products declined during the period under report compared to the same period the previous year.

However the garments industries, in particular the readymade garments sector, developed quickly, owing to global market economic restructuring, global relocation, low cost of labour, tax breaks, trade preferences and a supportive government policy.

Table 4: RMG Exports from Bangladesh

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Woven US$</th>
<th>Knitted US$</th>
<th>Total US$</th>
<th>% of total export</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003-2004</td>
<td>3538.07</td>
<td>2148.02</td>
<td>5686.09</td>
<td>16%</td>
</tr>
<tr>
<td>2004-2005</td>
<td>3598.20</td>
<td>2819.47</td>
<td>6417.67</td>
<td>12%</td>
</tr>
<tr>
<td>2005-2006</td>
<td>5299.73</td>
<td>3911.50</td>
<td>9211.23</td>
<td>65%</td>
</tr>
<tr>
<td>2006-2007</td>
<td>5249.49</td>
<td>4793.51</td>
<td>10043.23</td>
<td>70%</td>
</tr>
<tr>
<td>2007-2008</td>
<td>4538.66</td>
<td>5532.99</td>
<td>10701.65</td>
<td>73%</td>
</tr>
<tr>
<td>2008-2009</td>
<td>5918.51</td>
<td>6429.40</td>
<td>12347.20</td>
<td>79%</td>
</tr>
</tbody>
</table>

As shown in Table 4 the garments sector continued its growth with Knitwear and Woven compared to previous year. In 2008-2009, the Bangladeshi garments industry exported US$ 12.34 billion worth of products, mainly to the European Union, USA and Canada, and Japan (EPB, 2009).

1.2.1 Relocating RMG manufacture

The foreign exchange reserve of the country now depends on the RMG sector, whose exports play an important role in the socio-economic development of Bangladesh. Although two-thirds of Bangladeshis are farmers, about 79% of Bangladesh’s total export earning comes from the garments industry, which began attracting foreign investors in the 1980 (Haque, 2010).

The international garments industry is controlled through transfer of production owing to available cheap labour and lower costs. Although the globalisation of garments production only started after Second World War, within a short period it expanded more than that of any other industry. Most RMG producers have shifted their blue-collar production activities from high-wage regions in the industrialised countries to low-cost manufacturing regions in industrialising countries (Deshi, 2008). Definitely, advanced communication and networking systems have played an important role in this sector; since the 1960s, export-oriented manufacturing has brought some good returns particularly to the industrialising nations of Asia and Latin America (Chowdhury, 2008).

The first relocation of garments manufacturing took place from North America and Western Europe to Japan in the 1950s and early 1960s. Then Japan changed its attention to more attractive and profitable products such as cars, stereos and computers; as a consequence, 400,000 workers were dismissed by Japanese textile and clothing industry from 1965 to 1983 (Rahman, 2004). The second phase transfer of garments manufacturing was from Japan to the Asian Tigers-South Korea, Taiwan, Hong Kong and Singapore-in the 1970s. The third stage transfer of manufacturing was from the Asian Tigers to other developing countries such as Philippines, Malaysia, Thailand, Indonesia and China in particular-from the 1980s to 1990s. Since the 1990s, the most recent group of exporters, including Bangladesh, Sri Lanka,
Pakistan and Vietnam, have been leading in this sector (Doshi, 2006).

These transfers can be explained by the wage structure in the garments industry, all over the world. An international comparison for Asian garments workers in the early 1990s revealed that wages varied from a high monthly wage of $228 in Taiwan, down to $114 in Hong Kong, $63 in Pakistan, and $55 in India, to a very low $29 in Bangladesh (Rashid, 2006). Similarly, Bangladesh was identified in the late 1980s as having one of the cheapest sources of labour in the world for garments manufacture, with the wage cost per shirt estimated at only $US0.10; a comparison of hourly wages including fringe benefits showed Bangladesh coming in as the lowest at $US0.20 (Rahman, 2004; Rashid, 2006). A key advantage for overseas buyers of Bangladesh’s RMG products is that costs are currently around 30% lower than those of China and India (WB, 2005; Raihan, Razzaque and Khatoon, 2007). For example, shirts made in Bangladesh sell in these retail outlets for five to ten times their imported price (Rahman, 2004). Bangladeshi workers are employed at very low wages, not only in comparison to other competitor countries but also in comparison to other domestic industries. Although the Minimum Wage Board set up by the government periodically fixes the minimum wage for different industries, the average minimum wage fixed for the RMG has been the lowest. Thus, the owners of garments firms in Bangladesh pay their workers lower wages than in other industries in South-East Asia and Eastern Europe. The large retail outlets in the United States and Western Europe, such as Marks and Spencer (United Kingdom) and C&A (Netherlands), are contracted to the Bangladesh clothing industry (Doshi, 2006).

Table 5: Selected region-wise share of garments export

<table>
<thead>
<tr>
<th>Year</th>
<th>USA</th>
<th>Europe countries</th>
<th>USA and EU</th>
<th>Other countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001-2002</td>
<td>42.67</td>
<td>55.43</td>
<td>98.10</td>
<td>1.90</td>
</tr>
<tr>
<td>2002-2003</td>
<td>38.02</td>
<td>57.12</td>
<td>95.14</td>
<td>4.86</td>
</tr>
<tr>
<td>2003-2004</td>
<td>28.64</td>
<td>65.42</td>
<td>94.06</td>
<td>5.94</td>
</tr>
<tr>
<td>2004-2005</td>
<td>30.64</td>
<td>64.24</td>
<td>94.88</td>
<td>5.12</td>
</tr>
<tr>
<td>2005-2006</td>
<td>33.67</td>
<td>49.77</td>
<td>83.43</td>
<td>16.57</td>
</tr>
</tbody>
</table>

Source: Bangladesh Bank Quarterly; Publication of Bangladesh Bank (2007)
Table 5 illustrates that the Bangladesh garments export market was concentrated in USA and EU until 2004-05, indicating that Bangladesh had successfully established a remarkable position in the world markets. The year 2005-06 proved a successful turnaround in exports to third countries, which was about 16.57 percent of total export market compared to only 1.90 percent in 2001-2002 (B.B., 2007).

1.2.2 Economic Reform and the Multi-Fibre Agreement (MFA)

Two important procedures accelerated the growth of Bangladesh’s RMG exports and the international relocation of garments production, especially to Bangladesh: changes in domestic policy, and the international Multi-Fibre Agreement (Quddus and Rashid, 2000). At the domestic level, investment in the RMG industry was made attractive by changes in Bangladesh’s economic policies. In the early 1980s, Bangladesh undertook a series of economic reforms to open up its economy under the aegis of the IMF and the World Bank. Similarly, a new import policy in 1982 announced an export-led growth strategy to be directed by the private sector (Quddus and Rashid, 2000). As a result, numerous direct export incentive schemes were introduced in place while direct foreign investment was encouraged through the establishment of export processing zones outside Dhaka and Chittagong (Bhattacharya, Rahman, Paul-Majumder and B. Sen, 2001: pp. 2-26). Export promotion was one of the highest priorities of these policy initiatives, in conjunction with liberal policies aimed at direct foreign investment, including allowing 100 % equity share ownership. Export-oriented units offered with lucrative incentives such as tax holidays, cash assistance, income tax rebate facilities, rebate on freight and power rate, back-to-back letter of credit provision, loans at concessional rate, export credit guarantee scheme. In addition, the government provided cash incentives, reductions in interest rates for export credit and port charges, bonded warehouse facilities, duty drawback and duty free imports of capital machinery and raw material, for export oriented RMG industries (Mayumi, 2004). Thus, the policy environment in the early 1980s was favourable for export industries, whether of domestic or foreign origin (Rashid and Biswas, 2006). Nevertheless, these congenial policies would have remained impracticable without external actors ready to make use of it. As in many other countries and industries, foreign multinational companies played a catalyst role in promoting this particular industry in Bangladesh (Murayama, 2004). Initially they
brought in technology and modern garments production, meeting international requirements. They also contributed by diffusing technology and know how to local firms by generating spin-offs. At the same time, Bangladesh joined the international market as a competitive producer. This was facilitated by the MFA, (Multi-Fibre Agreement) of 1974-2004 (Rahman, 2004).

The MFA was a 1974 World Trade Organization (WTO) agreement, which set quotas for the export of textile product from developing countries (Rahman, 2004). Under the MFA, the largest RMG importers, the USA and Canada, imposed quota restrictions and limited import of apparels from countries such as Hong Kong, South Korea, Singapore, Taiwan, Thailand, Malaysia, Indonesia, Sri Lanka and India. Some countries had internal problems, for example, Sri Lanka, experienced a rapid increase in labour costs (Siddiqi, 2003). Therefore, buyers looked for alternative sources and Bangladesh was in an ideal position with both cheap labour and large export quotas (Wiig, 1990: pp.154-159). As a less developed country, Bangladesh received preferential treatment from the USA and the European Union. By 1985, Bangladesh emerged as a strong apparel supplier\(^2\) and became a powerful competitor for traditional suppliers in the US, Canadian and European markets (Choudhury and Hussain, 2005). Initially Bangladesh was granted a quota-free status. However, the application of the MFA had a negative impact on many garments exporting countries and this created pressure to discontinue the MFA by integrating textile and clothing industries into the General Agreement Tax and Tariff (GATT) system (Wiig, 1990: pp.154-59). As a result, the Uruguay Round of negotiations envisaged phasing out the MFA by the end of 2004. Within a short period, Bangladesh was increasingly subjected to quota restrictions by the USA and Canada. The US restrictions affected Bangladesh’s RMG sector significantly, since export growth at that time was mainly from the US market. As a result, Bangladesh had to compete with a larger number of established and powerful suppliers of readymade garments. In fact, the implementation of quotas caused a decline in absolute terms for most items in 1986 (Wiig, 1990: pp.154-159) but the level of growth increased again in 1996, mainly due to diversification into non-quota items (Uddin and Jahed, 2007). One successful area

\(^2\) Apparel products are tee-shirt, polo shirt, short pant shirt, pajama, jeans-pant, nightdress etc and also included all kind of RMG products
of product diversification was knitwear, which was outside the purview of the MFA (Battacharya, 2001). The growth of Knit-RMG was spurred by a growing demand in the EU market and stimulated by domestic incentives in the form of cash compensation and duty drawbacks (Rahman, 2005). However, Bangladesh was granted quota-free status and privileges by the EU, under the General System of Preferences (GSP) in 2003, and was allocated large quotas by the USA and Canada (Joarder, Hussain and Hakim, 2010). These changes guaranteed Bangladesh assured markets in the USA, Canada and the EU (Rashid, 2006).

Table 6: Important issues related to the Bangladesh RMG Industry

<table>
<thead>
<tr>
<th>Year-</th>
<th>Export of RMG (US$) Billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996-97</td>
<td>3001.25</td>
</tr>
<tr>
<td>1997-98</td>
<td>3781.94</td>
</tr>
<tr>
<td>1998-99</td>
<td>4019.9</td>
</tr>
<tr>
<td>1999-00</td>
<td>4349.4</td>
</tr>
<tr>
<td>2000-01</td>
<td>4859.8</td>
</tr>
<tr>
<td>2001-02</td>
<td>4583.75</td>
</tr>
<tr>
<td>2002-03</td>
<td>4912.12</td>
</tr>
<tr>
<td>2003-04</td>
<td>5686.09</td>
</tr>
<tr>
<td>2004-05</td>
<td>6417.72</td>
</tr>
<tr>
<td>2005-06</td>
<td>7900.86</td>
</tr>
<tr>
<td>2006-07</td>
<td>9211.23</td>
</tr>
<tr>
<td>2007-08</td>
<td>10701.65</td>
</tr>
<tr>
<td>2008-09</td>
<td>12347.51</td>
</tr>
</tbody>
</table>

Table 6 and Figure 3 shows that 1996-97 growth peaked and declined from 1998 to 2000 than increased by 1% in 2001 remaining stagnant until 2003. From 2003, it increased and peaked at 11% in 2009 (Uddin and Jahed, 2007: EPB, 2008).

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3 Knitted products are mainly warm cloths includes socks, trouser, hosiery, bags, mittens, jacket, trouser, hats, laboratory coat, sweater, pullover, jumper, jacket, trousers, gloves, sports dress, nightdress, hats and sleeves etc.

4 Drawback is the refund of customs duties, certain internal revenue taxes, and certain fees that have been lawfully collected at importation. The refund is administered after the exportation or destruction of either the imported/substituted product or article that has been manufactured from the imported/substituted product.
Although the MFA create new protectionism in major Organisation for Economic Co-operation and Development (OECD) markets, its effect was positive on the textile and garments industries in developing countries. For example, in Bangladesh, the MFA encouraged industrial relocation from more advanced economies. Some observers say that Bangladesh as a garments exporter was formed by the MFA regime (Mayumi, 2004).

One other factor which helped the RMG industry in Bangladesh to grow was political instability and civil war in Sri Lanka, one of Bangladesh’s main competitors. Overseas buyers preferred the relative stability of Bangladesh. In spite of low wages, political stability and the MFA the Bangladesh RMG sector did not grow as quickly as might have been expected. The major impediments were infrastructure and port facilities.

1.2.3 The Development of the Garment Industry in Bangladesh

The garment industry is the key export-earning sector and striking force in the field of industrialisation for Bangladesh. This sector opened up employment opportunities to millions of unemployed, especially uneducated rural women (Rashid, 2006). At present, the Bangladesh garment industry is the largest industrial sector of the country.

The garment factory, and more accurately speaking, the readymade garment sector (RMG), started in Bangladesh in the late 1970s and was complete within a short period. Bangladesh had a history of textile manufacturing, though during British colonial rule the industry suffered a brutal repression to facilitate the flourishing of British textile industries in Manchester. It is noted that Muslin and Jamdani cloth once was used for luxurious garments in Europe and other countries. The reputation of muslin textile of Dhaka was worldwide. But the handloom industry of muslin textiles was completely destroyed by British colonial repression (Sikder, 2002). However, the garments industries in Bangladesh did not develop from the remnants of the textile industry.
The dismantling of nationalised industries from the 1970s added to the gradual removal of barriers and limits to private investment, and created the opportunity for entrepreneurship. Manufacturers could make direct contact with their leading buyers. Many developed advanced market strategies and made a successful transition to high-value apparel products, such as dresses and suits. Numerous entrepreneurs initially started their careers making garments but later diversified into spinning, weaving, dyeing or finishing operations. Some of these became manufacturers of threads, buttons, zippers and packaging materials (Siddiqi, 2004). There were only nine export-oriented garment manufacturing units in 1978, which generated export earnings of barely one million dollars. Some of these units were very small and produced garments for both domestic and export markets. Examples of successful RMG manufacturers who took advantage of privatisation in different ways are Reaz Garments, Baishakhi Garments, Desh Garments and Trexim Ltd, and the Summon Group (Rahman, 2004; Rock, 2003).

Reaz Garments was established in 1960 as a small tailoring outfit, named Reaz Store in Dhaka, operating within domestic markets only (Rahman, 2004). In 1973, it changed its name to M/s Reaz Garments Ltd. and expanded its operations into the export market. Reaz was the first direct exporter of garments from Bangladesh. In 1978, the Reaz Garments Ltd. exported 10,000 units of men’s shirts to the export value of 13 million French francs to a Paris-based firm (Rahman and Kaiser, 1993; Rock, 2003).

Baishaki Garments, one of the older export-oriented garment factories, was established in 1977 by M/S Shamsun Nahar Ahmed, a woman entrepreneur. Indeed, an encouraging aspect of the industry is the number of female entrepreneurs emerging from the Readymade Garments business, and their number is increasing (Shikder, 2002; Morshed, 2007).

The case of Desh Garments and subsequently that of Trixim Ltd illustrates the role played by foreign capital in the establishment and the operation of mills. In 1979, Nurul Kader, a retired civil servant and entrepreneur established Desh Garments in alliance with the South Korean firm Daewoo. Daewoo’s Chairman, Kim Woo-Choong, proposed a joint venture between the Government of Bangladesh to produce
tyres, leather goods, cement, and textiles, because of high labour costs and labour shortages in Korea. In addition, Bangladesh faced restrictions on its garment products in the US and other OECD markets following the MFA regime (Rhee, 1990: p.336) and this venture allowed Bangladesh increased access to the global RMG market. Desh provided the equity capital and Daewoo procured the raw materials and provided training and marketing facilities (Morshed, 2007). Daewoo received orders from large retailers in the USA and Europe through its worldwide marketing network. Following that, the Desh garments in Bangladesh were produced, and shipped to their destinations.

The association of Desh and Daewoo was productive. In its first six years of operation, 1980/81-86/87, the value of exports from Desh grew at an average annual rate of 90% to more than $5 million. The alliance was important for the growth and total exports from the garments industry of Bangladesh (Rahman, 2004). As Desh’s operations grew, a large number of local entrepreneurs entered the sector with foreign buyers retaining major control in the marketing (Rashid, 2006). One of these was a Bangladeshi firm, Trexim Limited, which formed an equity joint venture with a South Korean firm, Youngones Corporation, in 1980. The Bangladeshi partners contributed 51% of the new firm’s equity, called Youngones Bangladesh. Its first consignment of padded and non-padded jackets exported to Sweden in December 1980 (Siddiqi, 1982).

Some entrepreneurs have invested in overseas countries and export RMG from there. One such company, the Summon Group of Bangladesh, went to Cambodia and established a RMG factory under a joint venture arrangement with local partners employing more than a thousand workers (Rahman, 2004).

As the demand for RMG products increases, international buyers continue to invest in Bangladesh. The government of Bangladesh has taken numerous initiatives on trade reform to attract foreign direct investment under the guidance of IFM and World Bank and establish EPZ (Rahman, 2004). Bangladesh Export Processing Zones Authority (BEPZA) is the only government organisation responsible for creation, operation and development of Export Processing Zones (EPZ) in the country. Foreign buyers and
Multinational Corporation set up factories to produce goods such as clothing and leather goods used EPZ (Rashid, 2006).

1.2.4 Contribution of RMG to the Bangladesh Economy

The export-oriented readymade garments (RMG) industry has made significant contribution to the economic development of Bangladesh. It is the largest exporting industry in Bangladesh, which experienced phenomenal growth during last two decades. By taking advantage of an insulated market under the provision of Multi-Fiber Agreement (MFA) of General Agreement Tax and Tariff (GATT), this sector attained a high profile in terms of foreign exchange earnings, exports, industrialization and contribution to Gross Domestic Product (GDP) within a short period. Bangladesh exported garments worth the equivalent of $12.34 billion in 2009, which was about 4.47 per cent of the global total value ($276 billion) of garments exports (EPB, 2008-2009).
Export of textiles has been the major route to development for most modern economics starting with the British back at the beginning of the industrial revolution. Even as late as the 1950s textiles were a leading part of Japan’s export profile. But of course Britain, Japan, and now China have moved beyond textiles. An important question is how did they do it and is Bangladesh following suit? In fact, large producing companies shift their location from where costs have been rising and where MFA quota availability is no longer an issue.

Although rising wages have been one driver of location change for labour intensive industries like garments, and to a lesser extent for textiles, the control and governance of such relocation has been primarily in the hands of global buyers. For example, American producers have relocated to Mexico and Central America, and other Western European countries to Eastern Europe and North Africa (Alavi, 1982: pp.57-58). Basically international buyers considered Bangladesh for its low labour cost, available labour and good business environment.

Also, in Bangladesh, RMG factories introduced by private entrepreneurs and later supported by government initiatives made the industry successful. The RMG sector has few requirements but owners generally prefer young girls and unmarried women. The huge available female work force, low wages, low production costs, dynamic private entrepreneurship and supportive government policies provided an environment for rapid growth.

Table 7: Growth and Trend Garments export and contribution to GDP

<table>
<thead>
<tr>
<th>Year</th>
<th>RMG export (USSM)</th>
<th>Total Export (USSMn)</th>
<th>Share of total exports</th>
<th>Share to GDP in % (amount in USS Min)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1984-85</td>
<td>116</td>
<td>934</td>
<td>12.4</td>
<td>-</td>
</tr>
<tr>
<td>1989-90</td>
<td>624</td>
<td>1924</td>
<td>32.4</td>
<td>-</td>
</tr>
<tr>
<td>1994-95</td>
<td>228</td>
<td>3473</td>
<td>64.2</td>
<td>5.9</td>
</tr>
<tr>
<td>1999-2000</td>
<td>4349</td>
<td>5752</td>
<td>75.6</td>
<td>9.2</td>
</tr>
<tr>
<td>2001-2004</td>
<td>6418</td>
<td>658655</td>
<td>94.1</td>
<td>10.6</td>
</tr>
<tr>
<td>2005-2006</td>
<td>7901</td>
<td>10526</td>
<td>75.1</td>
<td>12.6</td>
</tr>
</tbody>
</table>

Source: Economic review of Bangladesh and BGMEA, 2005-2006
Table 7 revealed that the value of RMG export, share of garments export to total exports and contribution to GDP significantly increased during the period from 1984 to 2005-2006. The total RGM export in 2005-2006 was more than 68 times that of 1984-85, while the country’s total export for the same period only increased by a factor of 11. In terms of GDP, the contribution of garments export is significant; it reached 12.6 percent in 2005-2006, compared to only 5.9 percent in 1989-90 (Uddin and Jahid, 2007). It is clear indication of its contribution to the overall economy. It also plays key role in promoting the development of linkages between small-scale industries. For instance, the manufacture of intermediate product such dyeing, printing, zippers, labels, collars, buttons has begun to take a foothold on a limited scale and grew significantly. Moreover, it has helped the business of basing, insurance, shipping, hotel, tourism and transportation. The RMG industry employs nearly three million workers directly and more than ten million inhabitants are indirectly associated with this socio-economic development of the country (Ahmed and Hossain, 2006).

1.2.5 Noticeable Social Changes (impact on society)

Since independence, Bangladesh has made considerable progress in social, political, cultural and economic areas but high unemployment remains a barrier to economic development.

The population of Bangladesh is about 162.2 million. The total labour force participation is 73.89 percent (BBS, 2002). The unemployment rate is 35.2% including underemployment, 2002 est. Sector wise unemployment rates are, agriculture 45%, Industry 30% services 25% (Source: Bangladesh Economy, 2011 and 2011 CIA World Fact Book and Other Sources).

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* A situation in which a worker is employed, but not in the desired capacity, whether in terms of compensation, hours, or level of skill and experience. While not technically unemployed, the underemployed are often competing for available jobs (note: about 40% of the population is underemployed; many participants in the labour force work only a few hours a week, at low wages).
Youth unemployment\textsuperscript{6} is high. The unemployment rate for educated women is higher than for their male counterpart. In fact, most parents and husbands do not allow women to work in remote areas or rural areas due to social security problems. As a result, educated women prefer to stay at home (Source: 2011 CIA World Fact Book and Other Sources).

Female participation in the work force is increasing particularly in agricultural, services, health, and education sectors. Female participation rates have doubled in Bangladesh since 1995. Recently, younger women’s employment has seen the largest increase due to the revolution in the RMG industry (Source: 2011 CIA World Fact Book and Other Sources). But these rates are still low at 26\% (Source: Bangladesh Economic Update, July 2011).

The RMG industry is contributing in a number ways to the Bangladesh national economy in poverty alleviation programs and has helped create an awareness of women's issues at all levels. In addition to its economic contribution, the expansion of the RMG industry has caused noticeable social changes by bringing more than 2.85 million women into the work force. In 1980, estimates show around 50,000 female garment workers in this sector (World Bank, 2008). According to Bhattacharya and Rahman, the number of people employed in the apparel sector had increased to more than 1.5 million in 1997-98, which constitutes about 70\% of the total female employment in the country’s manufacturing sector (Bhattacharya and Rahman, 1999). Currently the industry employs about three million workers, of whom 90\% are women mostly from rural areas (Rashid, 2006).

\textsuperscript{6} As defined by the International Labour Organization, unemployed workers are those who are currently not working but are willing and able to work for pay, currently available to work, and have actively searched for work.

Employment can be defined by either the national definition, the ILO harmonized definition, or the OECD harmonized definition. Persons who during a specified brief period such as one week or one day, (a) performed some work for wage or salary in cash or in kind, (b) had a formal attachment to their job but were temporarily not at work during the reference period, (c) performed some work for profit or family gain in cash or in kind, (d) were with an enterprise such as a business, farm or service but who were temporarily not at work during the reference period for any specific reason. [Current International Recommendations on Labour Statistics, 1988 Edition, ILO, Geneva, page 47]
Table 8: Female employment in South Asia Garment Industry

<table>
<thead>
<tr>
<th>Country</th>
<th>No. of worker</th>
<th>Percent female</th>
<th>Percent of total exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>3.0 million</td>
<td>90</td>
<td>76</td>
</tr>
<tr>
<td>Pakistan</td>
<td>700,000</td>
<td>10</td>
<td>60</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>277,000</td>
<td>87</td>
<td>52</td>
</tr>
<tr>
<td>Nepal</td>
<td>40,000</td>
<td>15</td>
<td>38</td>
</tr>
<tr>
<td>India</td>
<td>4.3 million</td>
<td>34</td>
<td>13</td>
</tr>
</tbody>
</table>


Table 8 illustrates that among the five South-Asian countries the Bangladesh garment sector is the highest RMG exporter with 76% of total exports, and has the highest rate of employment of about 3 million workers of whom 90% are women.

High female participation rates, as argued above, effectively result in lower wages and greater competitiveness as evidenced by the size of the export market.

Usually female participation in the work force depends on education, skills, socio-economic factors, political stability, and supportive government policies. For example, Sri Lankan GDP is high among the SARC countries and literacy is nearly 97% although Sri Lanka has struggled with civil war since 1983-2009 (Buncombe, 2009). After the civil war, supportive government policy is encouraging women to work in the garment sector. Currently female participation in the garment sector is 87% and garment products are 52% of the total exports (UNICEF, 2009). On the other hand, in India, with a literacy rate of 90%, female participation in the garment industry is about 34% and comprises only 38% of exports. In India, garment factories are mainly situated in port areas, capital cities and commercial cities and wages are low compare to other sectors. Most of population lives in rural areas and are not interested in work distant from their homes. Moreover, financial crises, transport, accommodation problems and personal reasons, attract the rural population to work in domestic and agricultural or small business employment (Wikipedia, 2012). On the other hand, city women prefer flexible working hours and an office job and the garment industry does not meet their preferences. Although the literacy rate in the
Nepal is 38% their female participation in the garment sector is comparable with others countries. Pakistan has a literacy rate of 93% but female participation in the garment sector is about 10% (UNDP, 2008). Pakistan is an Islamic Republican country where women face the greatest objections from their husbands and are restricted by their society. The society is controlled by religious leaders, fundamentalist and, community leaders and, although Islam considers that males and females should be equal, they are discriminated there. Bangladesh is different from Pakistan. Although it is a Muslim country, it is moderate. The literacy rate is 53.4 %, comprising 51.02 % for females and 55.90 % for males (World Bank, and UNESCO, 2009). Although the literacy rate is lower than Pakistan, social and political stability in Bangladesh a better. As a result, in the RMG sector female participation is higher. Currently the industry employs about three million workers, of whom 90% are women and total garment product exports account for 76% of all exports (Wikipedia, 2012).

In a society, women’s mobility is extremely restricted and women’s access to resources and economic opportunities, and their participation in decision making both within and outside households is constrained. The large numbers of women are working outside the home in the RMG industry has resulted in some significant social changes (Begum, 1995). Now families are willing to allow these women to migrate to cities and stay alone if need be, in order to obtain paid work and provide an income, often as principal earners of the family (Ali, 2003). According to Paul-Majumder and Zohir (1994), employed female workers in the export-oriented garments industry are share about 46 percent of their income to their families. RMG wages were well above the national poverty equivalent wages, implying that workers in this industry who generally came from poor rural families were able to pull nearly two million poor households, 13 percent of the poor households, out of poverty (Paul-Majumder and Zohir, 1994; Abedin, 2008).

After joining the export garments industry these working girls or women, have a changed status in their family, which has affected the traditional patriarchal dominance of fathers, brothers and husbands (Kibria, 1995). Female workers now choose to marry or become mothers. Parents are often so dependent on their unmarried daughter’s income that they are reluctant to permit marriage until the family has become more secure financially. Moreover, women are earning their own
wages and do not need to rely on a husband for income so these women are marrying at a later age, and delaying childbearing (Paul-Majumder and Zohir, 1994). In the past women married at about age 16, with a first child at 17, now, after joining the garments factory, the age of marriage is 20 with a first child at 21 (Swamy, 2004). As a result, the number of early marriages is decreasing, as well as the birth rate. These developments speculated as positive and supportive of women’s health. There is some evidence found that husbands’ participation in household work increases with increases in the employment of women in the garment industry (Kibria, 1995). Increasingly women now participate in family decision-making (Rock, 2003).

Female workers tend to support their younger siblings at school, currently primary school net enrolment and attendance nearly 85% (Unicef Report 2005-2009). So, the literacy rate is increasing. The literacy rate impact on socio-economic and in improving the quality of life and enhancing the prospects in livelihood.

Most importantly, the growth of RMG sector produced a group of entrepreneurs who have created a strong private sector. Of these entrepreneurs, a significant number are female. A woman entrepreneur established one of the oldest export-oriented garment factory, the Baishakhi Garments in 1977 (Shikder, 2002; Absar, 2001). As a result, apart from the rise of the garments export sector having economic significance for Bangladesh, it also has social significance with young Bangladeshi women now becoming a force in the labour market.
1.3 Problems and Challenges of the Bangladesh RMG Industry

Despite the phenomenal success of the RMG industry, poor working conditions in the factories and the lack of Social compliance\(^7\) are serious concerns, which have, since 2006, led to labour unrest and damage to institutions and properties. Working conditions in the RMG sector are below to the ILO standards.

Recruitment policies are highly informal compared to western standards and do not have formal contracts and appointments letters. There is no weekly holiday, job security, social security, and absence of maternity leaves, gratuity or provident fund for the garments workers. Moreover, late or irregular payment and gender discrimination are common in this sector. Added to this, garments workers are not entitled to any fringe benefits, including an accommodation allowance, health care, emergency funds, or transportation (Muhammad, 2006). The majority of workers are young women frequently physically and sexually abused by their supervisors and security guards (Rashid, 2006).

Violation of health and safety regulations is frequent in the RMG sector. As a result, workers suffer from constant fatigue, headaches, anaemia, fever, chest, stomach, eye and ear pain, coughs and colds, diarrhoea, dysentery, urinary tract infections and reproductive health problems. Most of the factories do not meet minimum standards, as prescribed in building and construction legislation (Factory Rules 1979). Injury, fatality, disablement and death due to notorious for fire and building collapse are frequent in the RMG sector (Begum, 2001).

There are many other labour sectors; unlikely child labour is a serious and growing problem within this sector (Muhammad, Rashid, 2006). Indeed most of the private garments factories have no trade union presence. Export Processing Zones (EPZ) are particularly banned union activities in their premises. These bans constitute a serious violation of workers’ rights and there are a many other practices, which go violate international labour standards, and Codes of Conduct (Qudus and Uddin, 1993; Dasgupta, 2002). Furthermore, law enforcement is poor and government and

\(^7\) Compliance is defined as code of conduct, specification and or standard that must be followed by business organizations. Compliance issues are recognised by ILO and WTO mechanisms (Anand, 2006).
entrepreneurs’ poor judgment has led to labour unrest in the sector. Consequently, Bangladeshi RMG products have less appeal to international buyers who demand compliance with their own *Codes of Conduct* before placing any garments import orders. These issues are fundamental to the workers’ interests but there are the additional costs consequent on these compliance demands (Rashid, 2006). As a result, Social compliance has emerged as a major issue to the RMG sector.

On this backdrop, a study on the working conditions and environment in the garments industry of Bangladesh is imperative. The current study will assess the extent of Social compliance in this sector. The study will make recommendations on how to achieve Social compliance with the co-operation of stakeholders in the sector for the sustainable development of RMG workers’ rights as well as the garments industry as a whole.

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8 Compliance means conformity that is acting according to certain accepted standards. It is a Code of Conduct that includes minimum labour standards, occupational safety measures and environmental concerns.
Chapter 2

2.0 Literature Review

This chapter reviews the literature that describes the sector’s performance, working conditions, wages, social security, ILO labour standards, workers rights, health and safety, and Social compliance, and elucidates future trends in the international and domestic garments industry as a guide to identify key problems.

2.1 Introduction

The Readymade Garment Industry (RMGI) in Bangladesh has been the key export division and the highest source of foreign exchange for the last 25 years. Despite a rather late start in the world market (approximately 1976), Bangladesh soon established a reputation in the world market, with garments becoming one of the country’s main export sectors (Uddin and Jahed, 2007). Sri Lanka was the main exporter in South Asia, with India as its main competitor, but the civil war in Sri Lanka from July 1983 to May 2009 wrecked that country’s garments industry, and international buyers and investors diverted their attention to Bangladesh (Abedin, 2005; Hasnain, 2006; Buncombe, 2009). As a result, the garments sector in Bangladesh expanded with unprecedented success. In spite of these poor working conditions and the lack of Social compliance continues to be a cause for serious concern. Since May 2006, the Bangladesh RMG sector has been beset with very serious labour unrest, resulting in large-scale damage to garments factories by the workers and at times threatening the very existence of this industry.

The major disputes concern wages, working hours, appointment procedures, forced labour, child labour, health and safety, security, gender discrimination and sexual harassment, and trade unionism. Non-compliance of workplace health, safety and security regulations lead to hazardous work environments in which many workers become sick or injured, or lose their lives through accidents, fires and stampedes (Delap, 2001). Overall, according to a monitoring report by the Fair Labour Association (2005, cited in Bansari, 2010) entitled Workplace Code of Conduct Violations in Clothing Factories, Bangladesh performs poorly compared with other Asian countries in the areas of awareness of labour standard codes, forced labour, and
harassment, although violations of working hour standards are slightly lower than the other Asian countries except China. However, labour standards in the RMG sector in Bangladesh are generally considered to be poor, they are lower than in comparable countries (Murshid, Salma, Milford and Wiig, 2003). As a result, the RMG industries in Bangladesh have been facing considerable pressure from international buyers for compliance with their Codes of Conduct.

The ILO Declaration on Fundamental Principles and Rights at Work (1998) contains minimum labour standards (ILO, 2006). The ILO governing body has developed eight core conventions, covering four fundamental principles and rights: freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced or compulsory labour; the effective abolition of child labour; and the elimination of discrimination in respect of employment and occupation (ILO, 2000). As a signatory to the ILO conventions Bangladesh has ratified the ILO core conventions, but a survey undertaken by Bansari in 2007 found that implementation is poor, and that compliance with international labour standards has declined in several areas, especially union rights, anti-discrimination provisions, and other labour standards related to wages and hours (Bansari, 2010).

Many researchers have investigated the garments industry in Bangladesh. In this research, labour rights and labour standards, fair labour practices as well as working conditions have received the greatest attention. In Bangladesh, working conditions in the RMG sector are often deplorable (Majumder and Begum, 1999; Shimu, 1999; Mondal, 2000; Partima and Begum, 2000; Begum, 2001; Absar and Kumar, 2006; SDNP, 2003; BILS, 2003; UNDP, 2003; Kabeer, 2004; ILO-NATLEX, 2005; Muhammad, 2006; Bansari, 2010 and others). Recruitment policies are highly informal compared to the western standards. This is mostly due to an abundance of cheap labour in Bangladesh. The majority of workers in the RMG industry are unskilled and do not have formal appointments or contracts. They are therefore vulnerable to losing their jobs at any time. However, fear of losing their jobs and lack of alternative job opportunities compel workers to continue in unsatisfactory employment (Bansari, 2010). There is no regular weekly day off, job security, social security, gratuity or provident fund for the workers (SDNP, 2003). Absence of rewards, lack of training facilities and rare compensation are growing worker
dissatisfaction (DWP, 2000). Added to this, garments workers are not given any fringe benefits, including accommodation allowances, health care, emergency funds, or transportation (Muhammad, 2006), even though they are legally entitled to some of these benefits, such as maternity leave.

Excessive daily working hours are one of the most common labour standards problems in Bangladesh (Absar, 2001). Hours worked in the garments industry are longer than elsewhere in the manufacturing sector, including the export manufacturing sector, and workers sometimes work all night to meet delivery deadlines. Despite international standards proscribing a maximum of 10 hours’ work per day and 6 days per week, workers in Bangladesh are allegedly forced to work 14 to 16 hours a day and seven days in a week (ILO-NATLEX, 2005).

Moreover, workers are paid very badly for long hours (Absar and Kumar, 2006). The wage level in the RMG industry is low for both males and females, compared with workers in similar categories in other sectors (Khandker, 2002). According to Kabeer and Mahmud (2004), RMG workers are paid the lowest wages in Bangladesh, US$0.15 per hour, half of that paid to the next lowest, the RMG workers in Nepal who earn US$0.30. Absar (2001) noted that there is no law providing a national minimum wage in the Bangladeshi garments industry. Although the government, garments owners and workers have decided on a salary structure (see appendix - C), most RMG workers receive the minimum monthly wage (Repon and Ahamed, 2006). Such low wages compel the garments workers to live in inhuman conditions. However, payment of wages in many cases is late or irregular. According to Kumar (2006), several factories in Bangladesh pay their workers’ wages two months or more in arrears. Many factories keep one month’s payment of overtime earnings as security money, which in most instances, the workers do not get back.

While these garments workers’ total monthly take-home pay is not the lowest in the manufacturing sector, they have to work very long hours for it; overtime is imposed and in some cases not rewarded, making the hourly returns to their labour extremely low. Rates of overtime payment are not fixed. Workers are compensated very badly for these long hours (Absar, 2001; Kumar, 2006) usually only half as much for overtime work as for normal hours, unless there are high profits from orders, or high
demands to fill new work orders (Shimu, 1999; Mondal, 2000; Kabeer, 2004). To use the working hours efficiently, some employers set production targets for the workers. Workers are given a quota to fulfill. When they are unable to fulfill their quota during work hours, they have to stay behind and work without pay (Paul-Majumder and Begum, 1999). In a field survey undertaken by the Bangladesh Institute of Labour Studies (BILS, 2003), 72 respondents (60%) stated that payment of overtime was not regular, 28 respondents (23%) complained that overtime was not paid at all, and only sixteen respondents (13%) showed satisfaction regarding the payment of overtime (the remaining 4% remained silent on the matter).

Continuous work schedules, wage penalties, physical and verbal abuse are common. Women workers face physical abuse and sexual harassment inside as well as outside the factories, but management does not ensure the security of women workers. Workers also often accuse supervisors, linemen, line chiefs, and production managers of the following: pulling hair, slapping, hitting, stroking, touching the body, and even kissing workers as the latter sit at their machines (Partima and Begum, 2000). In all these cases women suffer embarrassment, humiliation, and even physical harm, but offenders are rarely punished and the victims often face trouble after complaining (Bansari, 2010). Alam (2004) suggested regulatory measures and its strict implementation and monitoring by the government agency that could overcome work place in security problem of garments workers in Bangladesh.

In addition, some women workers report sexual harassment on their way home from work, especially late at night. Despite restrictions on night work for female workers, they are still forced to work overtime, often into the night (Kabeer, 2001). Most women work until after dark, there are no safety arrangements for them, no transportation facilities and no accommodation at the factories. As a result, they frequently feel frightened and insecure. Many female garment workers are abused and even raped by criminals, who specialise in preying on them (Shimu, 1999; Mondal, 2000; Kabeer, 2004).

The workplaces are sweatshops, more like prisons than factories, with no fixed hours, regular breaks or days off (Rashid, 2006; Meghbarta, 2008). The workers, sometimes including children (see below: Child labour), are frequently locked in at the beginning
of the morning shift and not let out until the end of the workday, and in some cases not until the next day (Majumder and Begum 1997; Shimu 1999; Mondal 2000; Kabeer, 2004). Oppressive and demeaning rules are the norms, such as being reprimanded for taking too long in the toilet or having body searches when leaving the factory.

Conditions are even worse in the sweater and knitwear sectors because seasonal demands make for insecurity of employment. Long working hours without leave or breaks and compulsory overtime are common problems in this sector. Workers can be fired for refusing to work overtime. Although national law, Bangladesh bans forced labour, but it has not yet fully disappeared from garments factories. Halim and Kabir (2005) revealed the oppressive nature of employment in the RMG sector. Employers use the constant threats of firing, temporary lay offs, and withholding payments to maintain a smoothly running production process and to keep costs as low as possible with night work, long hours and no weekly day off (Mahmud, 2009).

These conditions continue to exist because most of the garments factory owners employ security personnel to intimidate workers (Muhammad, 2006); the owners are also able to maintain a regimented environment in the factory through an alliance with the police force. Indeed, they treat the RMG workers as slaves, exploiting workers to increase their profit margins and keep their industry competitive in the face of increasing international competition (Kumar, 2006). The reason why law-enforcing agencies do not enforce existing laws is probably to institutional failure. If laws are properly implemented, workers would receive regular and timely payments and also enjoy a better and secure working environment, with training and promotion, and labour unrest have never been occurred (Absar, 2001). Siddiqi (2008) suggests the factory owners be required to abide by the laws that regulate minimum wages, working conditions, eco-labeling or green marketing.

Gender discrimination is common, particularly in the RMG sector. While wages in the RMG sector are generally low, the situation for female workers is even worse than for

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9 Environmentally responsible or green marketing or eco-labeling refers to the satisfaction of consumer needs, less harmful, wants, and desires in conjunction with the preservation and conservation of the natural environment.
female workers: Bansari’s study in 2006 revealed that women’s pay is three quarters of the wage of male counterparts (Bansari, 2010). About 90% of garments workers in Bangladesh are women from poor rural areas who are usually illiterate or with minimal education; they are exploited owing to their lack of technical knowledge and training, and their lack education and skills (Kabeer and Mahmud, 2004). Women are confined to lower-paid jobs, such as helpers and operatives, and tend to be underpaid (CPD, 2003). Men are generally engaged at higher levels as supervisors, finishing and machine operators and production managers, and have far greater access to training facilities. Moreover, promotion is scarce in the industry, so job aspiration is in general fairly low. A World Bank survey in 1997 (Paul-Majumder and Begum, 1997) showed that only 20% of the females had high aspirations about their jobs and would try for promotion, whereas about 33% of the male garments workers did. Nearly one-quarter of the female garments workers did not have any future plans, and most of the others reported that they would either stop working or look for other jobs. The low aspiration of female garments workers reflects the poor status of their psychological well-being, which is lower than the psychological well-being of the workers in non-garments industries (Islam, 2000). Basically, women are exploited due to their lack of technical knowledge and training.

Women workers in particular are deprived of their legal rights (see below: Entitlements), and pregnant women are often at risk of losing their jobs (Shikder, 2002; Maitra, 2008). This is in spite of maternity benefit laws going back 70 years. For example, a law dating from 1939, the Maternity Benefit Act, provided benefits for pregnant workers; they were entitled to 6 weeks’ leave before delivery and to another six weeks’ leave after the birth; during this period, the woman is also entitled to her regular wage if she had been employed in the factory for at least 9 months. Yet according to a field survey conducted by the Bangladesh Institute of Labour Studies (BILS, 2003), 53% of respondents stated that their employers did not provide any maternity leave to female workers. This Act was amended in 2006, giving extra time before and after delivery (ILO-NATLEX, 2011). Another Act has been around for over forty years: the Factory Act of 1965, entitling a worker who has been employed for 12 months to annual leave, casual leave, sick and medical leave, festival leave and maternity leave with pay (ILO and BGMEA, 2003; ILO-NATLEX, 2005). However, enforcement of these laws in minimal especially in medium enterprises (ITUC, 2008),
and workers in the RMGI seldom receive these entitlements. In summary, garments workers are faced with long working hours or double consecutive shifts, personally unsafe work environment, poor working conditions, wage and gender discrimination and insecurity on the street (Absar, 2001).

Low wages and fewer benefits affect workers’ daily lives, and the lack of health and safety measures threaten their existence. The UN’s Sustainable Development Networking Program\textsuperscript{10} revealed unsatisfactory working environments and conditions in the Bangladesh garments sector (Paul-Majumdar, 2003). Work areas are often overcrowded with limited workspace, causing occupational hazards such as musculoskeletal disorders and contagious diseases including headaches, anaemia, fever, chest pains, stomach pains, eye and ear pains, coughs and colds, diarrhoea, dysentery, urinary tract infections and reproductive health problems (Doshi, 2008). Workers also suffer from deficiency illnesses and other nutritional problems (Doshi, 2008) due to their poor diet and poverty (Rahman, 2004).

Workers are less secure as monetary remuneration is never enough. They are less safe as at any time, accidents can cause them disability or even loss of lives (Haque, 2008). In interviews with female garments workers (conducted by Paul-Majumdar in 2001), one woman stated that her workday usually begins at 7:30 a.m. and continues until 9 p.m. except on Fridays when she leaves work at 2 p.m. Mostly she leaves work late at night. She thinks the long working day is one of the dominant reasons for her ill health. Another worker explained that machine she uses for making sweaters has to be pedaled with her right leg for 12 continuous hours, with a short lunch break of only 30 minutes. Because her entire right side is under constant movement while the entire left side remains idle, she suffers from a disability of unbalanced and inconsistent mobility. However, she has never received any compensation or any other support from the RMG authority. In spite of the circulation of laws by the Government, the majority of workers remain deprived of most legal rights. The enforcement of these laws in minimal and in medium enterprises is rather poor (ITUC, 2008).

\textsuperscript{10} Sustainable Development Networking Program (SDNP) is a global initiative launched by the United Nations Development Program (UNDP) in response to Agenda 21, which articulated the need for improved information dissemination to support sustainable development. The program is facilitating communication between users and suppliers of sustainable development information in developing countries.
These incidents are two of the many that occur on a routine basis in Bangladesh. The problems caused by long hours without breaks, overcrowding and poorly-designed machines are exacerbated by the lack of adequate ventilation and exhaust fans, resulting in exposure to toxic substances and dust: the toxic substances spreading around the workroom are usually dyes; the dust hanging in the air contains, among other things, fibre particles from raw materials. As a result, many RMG workers suffer widespread work-related health problems. Siddiqi (2008) advocates, that, in order to meet the international standards, the industry with the help of BGMEA make sure that the factories do not use any unhygienic dyes including Azu dyes that are hazardous to health.

Many factories also lack safety provisions, especially safety from fire. Workplaces in the garments sector are notorious for fire risk, which is said to have claimed a total of 264 garments workers killed over the past eleven years, and more than 295 burn injuries from those incidents during the said period, though exact figures are difficult to find (Apparels Bulletin, 2011). Shocking instances of workplace negligence can be found. In a fire in Narsingdi in November 2000, almost 50 workers died because exit doors were locked (The Daily Independent, 2 June 2006). A fire destroyed the four-storey KTS Textile Industries in Bangladesh’s port city Chittagong in 2006, again killing scores of mostly young and female workers, who similarly found the gates locked (Iqbal, 2008; Haque, 2010). The Spectrum Factory building collapse of April 2005 killed 54 workers, injured over 70 and left hundreds jobless. Injured RMG workers rarely receive compensation from factory owners; and in a few cases, families have been offered a token amount for the death of a worker, but only after several months of agitating by union and political leaders. Haque (2010) summed up the appalling situation:

Regrettably, almost all the accidents that have happened over the years or at least the loss of lives could have been avoided if concerned and relevant authority took precautionary measures. In fact, workers’ lives are apparently so insignificant that the death of garments workers is soon forgotten, until of course the next tragedy.

Main causes behind growing occupational accidents as inadequate or non-enforcement of existing labour laws at workplace, weak labour inspections, non-sensitisation and lack of health and safety training among workers and non-payment
of decent wages. Therefore all the factories are now required to ensure proper installation, arrangements and training of the safety equipment such as fire alarms, smoke alarms, fire extinguishers and water supply systems (Haque, 2008). Hossain (2007) argues on compliance issues, which include working conditions, Occupational Health and Safety and the role of the government of Bangladesh, BGMEA and BKEMA. She also recommends the reform of archaic laws and the revision of policies and practices that belong to a past age. As the Bangladesh economy depends on RMG production, therefore an elaborate OSH program should be undertaken for the improvement of the RMG sector (Siddiqi, 2008).

Children often commence work at a very young age; as a result, they suffer from serious injuries and sometimes death in the workplace (Rahman, Khanam and Nur, 1999). Children ranging in ages from eight to fourteen work in the garment industry. According to this ILO report most of the children are girls with an average age of 13 years, of whom 10 percent are already married (Source: Bureau of International Labour Affairs, 2012; ILO, 2008). They frequently work long hours, sometimes six or seven days a week, often receiving less than the minimum wage, and are usually not paid for overtime work. Long working hours, low or no wages, poor food, isolation and hazards in the working environment can severely affect children’s physical and mental health. Such work is considered harmful to the child and should be eliminated.

As a result of international attention paid to child labour in the garment industry, both the Government and the BGMEA have made efforts to encourage manufacturers to abide by the law which prohibits the employment of children under the age of 14 (ILO 2008). Fearing the imminent passage of the Child Labour Deterrence Act (otherwise known as the Harkin Bill), garment employers dismissed an estimated 55,000 children from the factories in the fall of 1993, approximately 75 percent of all children in the industry (UNICEF, ILO, World Bank Group, 2009; ILO 2008).

There does appear to have been an improvement in one area, however; child labour in the RMG sector is decreasing (ILO, 2004). To eliminate child labour a Memorandum

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11 Children work on tasks such as sewing buttons, cutting and trimming threads, and folding, moving and packing garments.
of Understanding (MOU) was signed in 1995 by the ILO and UNICEF to eradicate the employment of children in export garments factories (Rahman, Khanam and Nur, 1999). In the following year, an ILO study stated that:

There is no denying that child labour is still very much a reality in the apparel sector, although it is extremely difficult to give exact figures, particularly for the segment involved in world markets, because of the complex subcontracting arrangements in operation (ILO, 1996).

Legislation in 2004 prescribed that all children aged between 6 and 10 must attend school up to the fifth grade or up to the age of 10 years (ILO, 2004a). Yet despite this legislation and several anti-child labour laws since 1995 (Bureau of International Labour Affairs U.S. Department of Labour, 2012: pp.26-29) there are still too many children in Bangladesh who spend most of their day making garments rather than going to school (BNPD, 2010; BBC world services, 2009; Rahman, Khanam and Nur, 1999).

Most of the workers come from rural areas and have no financial resources beyond, their monthly salaries. As a result, they suffer food shortages, rental difficulties and even starvation. Workers trying to receive their due wages or other entitlements by demonstrating are harassed and arrested by the employer. Not surprisingly, this often leads to anger and retaliation. According to Mahmud (2009), workers who participate in movements and agitations may have their salaries cut or even be sacked. The costs are particularly high when there is violence and confrontation with police, and workers are punished by having criminal cases filed against them. The *Daily Star* of Nov 12, 2004 reported an incident in Chittagong, when police arrested seventy-two female and thirteen male garments workers on bail, having previously been involved in a worker-police clash at a garments factory. The clash had taken place as the workers were agitating over three months’ arrear of wages, and left thirty people including ten police injured and army vehicles damaged.

Over the past two years, around 4000 factories in Dhaka have experienced wildcat strikes, 16 factories have been burnt down by strikers and hundreds more ransacked and looted (Iqbal, 2008). Police action against workers has resulted in several deaths and many injuries, and more have been arrested during the retaliatory breakages, looting and closures of factories and plants. Garments Mazdoor (Workers) Union
condemned the harassment and arrest of workers and regretted that instead of helping the workers recover their wages, police sided with the factory authorities (Mahmud, 2009). Many employees have lost their jobs (Absar, 2001; Kumar, 2006).

Recently, the RMG industry of Bangladesh has been beset by very serious labour unrest (Daily New Age, 29th January, 2008; Daily Prothom Alo, 31st Jan, 2008; Daily Star, July 14th, 2006 and 3rd Feb, 2008; New Nation, 3rd Feb, 2008). Initially, the government and industry leaders underestimated the magnitude of the unrest, brushing it aside by putting forward various conspiracy theories. However, these theories were bound to fail as the problem lay in the exploitation of workers. Violence and confrontation are never a satisfactory method of dispute resolution nor indeed do they indicate healthy labour relations (Kumar, 2006).

In particular, the chronic unrest in the sector is due to the absence of labour rights and the hazardous work environments (Mahmud, 2009). One consequence of the chronic unrest in the sector is that RMG industries in Bangladesh have been facing considerable pressure from international buyers for compliance with their Codes of Conduct before placing any garments import order, particularly since the expiry of

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12 The ILO Code of Conduct: The definition of workplace violence

- A statement that no workplace violence would be tolerated.
- An engagement in support of any action targeted at creating an environment free from workplace violence.
- The provision of a fair complaints system, that is free from retaliation and that protects against abusive or frivolous complaints.
- Information, education and training for workers and the public.
- Measures to prevent, control and, as appropriate, eliminate workplace violence.
- Measures relating to intervention and management of violent incidents.
- A commitment to effective communication of the policy.
- Confidentiality.
- Workplace security issues.

To minimise the risk of workplace violence in service sectors, the following should be taken into account:

- The identification of areas at special risk and the level of risk.
- Access to and from the workplace, including parking areas and transport facilities.
- The existence of security services.
- The elimination of impediments to a clear view at the workplace.
- The identification of restricted areas.
- The installation of security systems in dangerous areas, after consultation with workers and their representatives.
- The banning of weapons except as an inherent requirement of a specific job.
- Restrictions on alcohol and drugs in the workplace.
- Access control systems for workers and/or visitors, where appropriate (ID, reception desks, gates etc).
- ID documents for workers where appropriate.
- ID for visitors where appropriate.
the Multi-Fibre Agreement quota system (Rahman, 2006). The issues need to be addressed and solved in a harmonious way between employers and workers, which is a prerequisite for the sustainable development of the sector. To avoid unrest in the RMG sector, Khan (2006) argued for strengthening Social compliance issues and labour standards to improve wages, working hours, overtime, job security, the right to form trade unions, social security and also occupational health and safety.

Under the dire conditions of employment, the low level of access to unionism is one likely reason for the ferocity of the workers response when they do protest. Generally, the role of ensuring workers’ welfare falls to trade unions, but if the trade unions are not considered as a legitimate workers’ body for collective bargaining, it is likely to be difficult to maintain peaceful industrial relations. Friedman and Miles explore the implications of contentious relationships between stakeholders and organizations by introducing compatible or incompatible interests and necessary or contingent connections as additional attributes with which to examine the configuration of these relationships (Friedman and Miles, 2002). This interaction can help managers develop appropriate systems for compliance with international core labour standards. Bazlul, Razzaque and Ahmed advocate that interaction between workers and management has traditionally been at a minimum level. Such a relationship between workers and employers is not conducive to the healthy growth of any sector. They also argue that constructive social dialogues could help identify areas for potential competitive strengths for the industry as well as identify the factors that strongly motivate the workers (Bazlul, Razzaque and Ahmed, 2005).

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- Cooperation among enterprises on collective security.
- Measures to prevent, control and, as appropriate, eliminate workplace violence
- Measures relating to intervention and management of violent incidents
- A commitment to effective communication of the policy
- Confidentiality.
- Workplace security issues
- To minimise the risk of workplace violence in service sectors, the following should be taken into account:
  - The identification of areas at special risk and the level of risk
Workers have been accorded trade union rights by labour laws and ILO conventions, but regardless of the existence of these laws, workers in the garments industry are commonly deprived of the right to form or join a trade union; indeed, unionisation is actively discouraged in the RMG industry (ILO, 2006). Trade unions are particularly banned from the export processing zones (Dasgupta, 2002). The banning of these activities constitutes a serious violation of rights and leaves a large number of workers and human rights defenders at risk of harassment, intimidation, violence and arrest (EPB, 2007; Dasgupta, 2002). Formation of a trade union is often thwarted by severe repression, dismissal, arrest, assault by hooligans hired by employers, and other practices which are in violation of the international labour standards13 and Codes of Conduct (ILO, 2003) (see Appendix A and C for details of the ILO Code of Conduct relating to workplace violence and security).

There is no denying that the low wages and poor working conditions in a large number of RMG units make workers vulnerable to many problems, and without the trade unions, there is no legal means at hand to ensure their interests and rights. Recent attempts to change the law to permit freedom of association in the zones have been the subject of numerous proposed amendments from the ILO to bring the draft law into compliance with international conventions 87 and 98 (which in 2006 had not yet been acknowledged by the Government of Bangladesh) (Rahman, Repon and Ahmed, 2006). As the International Trade Union Confederation (ITUC) survey put it:

Non-application of labour legislation, denial of trade union rights… dismissals of trade union activists, discrimination and intimidation practices continue to be the rule rather than the exception... (ITUC, 2008).

The ITUC names Bangladesh as one of the countries to which this situation applies. Government, factory owners, and buyers need to understand that the rights of workers, including the right to organise, are an integral part of a healthy industrial nation.

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13 The following as being fundamental to the rights of human beings at work, irrespective of levels of development of individual member States: freedom of association; effective recognition of the right to organise and participate in collective bargaining; elimination of all forms of forced and compulsory labour; effective abolition of child labour; elimination of discrimination in respect of employment and occupation, (ILO, 2004)
There are some active trade unions with collective bargaining authority (CBA) in Bangladesh. The World Bank study estimated that 11.1% of workforce in Bangladesh is unionised compared to the world average of 22.9%, which is low even by Asian standards (Bansari, 2010). However, most of these trade unions appear to be tools of one or other of the national political parties, strikes are used more to pursue political goals against rival parties than to improve workers’ conditions (DWP, 2000; Kabeer, 2004; Libcon, 2006). Trade unions could play a constructive role but their adversarial tactics, politicised character and male dominance paralysed their effectiveness. Uddin and Jahed (2007) suggest that they will have to undergo considerable reform before they are able to do so (Uddin and Jahed, 2007). Morshed advocates the key role of Cambodian labour unions in the clothing sector and as mediator’s between workers and factory owners to settle disputes and discuss wages. As a result, minimum wages increased and the government continues to make progress in enforcing ILO core labour standards (Morshed, 2007).

For the protection of labour rights and the improvement of working conditions, international communities developed and adopted international standards. The labour standards, which are accepted internationally, are those that are included in the concept of decent work14 introduced by the ILO in 1999, and it focuses on wages, working hours, overtime, health and safety, job security, the right to form trade unions, and environment security (ILO, 2004). Decent work is usually argued to have a positive effect on labour standards as well as productivity. These gains could potentially compensate the increased cost, but their effectiveness and implementation depends on the government, NGOs and other stakeholders. However, in the case of the RMG industry, improved productivity may not contribute to significant competitiveness gains due to the share of labour in the product value chain. On the other hand, despite the pressure from the buyers, the demand for decent work does not assure an export market, providing little motivation for entrepreneurs to improve Social compliance in the RMG sector (Bazlul, Razzaque, Ahmed, 2005). NGOs and trade unions, cannot alone push for decent working conditions as laid down in the

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14 Decent work is captured in four strategic objectives: fundamental principles and rights at work and international labour standards; employment and income opportunities; social protection and social security; and social dialogue and tripartism. These objectives hold for all workers, women and men, in both formal and informal economies; in wage employment or working on their own account; in the fields, factories and offices; in their home or in the community.
labour laws of Bangladesh and the International Labour Organisation (ILO) conventions to which Bangladesh is a signatory (Rock, 2010). NGOs mostly work in rural areas but a few deals with garments workers in urban areas. They adopt a very different model of organisation from that of trade unions (Kabeer and Mahmud, 2004). Morshed suggested that the implementation of labour rights could ensure a sustainable livelihood for garments workers with the support of the ILO, the WTO and other stakeholders (Morshed, 2007). In line with the government, employers, international agencies and other stakeholders should work together to adopt a Code of Conduct and promote decent work. Ensuring Social compliance is very important in the garments industries to both maintain quality of products as well as meeting the expectations of the export market.

Nevertheless, while implementing reasonable working conditions or a minimum wage should depend on a country’s prevailing socio-economic conditions, it should not be judged by the standards of rich countries. Khan (2006) suggested that NGOs, civil society, trade unions and other stakeholders should work together to adopt the Code of Conduct for a viable and competitive RMG industry. In addition, non-compliant factories may be penalised with a temporary ban under a generalised system of preference (GSP) by the concerned authority, so that they cannot enjoy tax exemptions in exporting countries (Khan, 2006). According to Baral (2008), the compliance of RMG factories is a key requirement for most of reputable global garments buyers. It ensures labour rights and facilities according to the buyer’s Code of Conduct. Every RMG factory should try to be complaint not only for profit reasons but also for the protection of human rights. Bazlul, Razzaque, Ahmed (2005) suggest setting up certain standards; the Government can enforce the compliance obligations. However, Bangladeshi exporters have been under continuous pressure to comply with international labour standards. Therefore, an effective initiative by the Government in this regard can provide a basis for negotiating with buyers for a unique set of Codes of Conduct, based on national laws and core labour standards.

Compliance issues including the working environment, salary, maternity leave, safety and health of apparel sector workers, have come to the attention of international buyers. In contrast with rights, product safety issues are mostly mandatory requirements. According to Khan (2006), there is no option but to ensure Social
compliance to maintain product quality, because workers can never enhance their skills without having a living wage and a favourable working environment. In an attempt to ameliorate this situation, the Bangladesh government formed a Social Compliance Forum (SCF) and constituted two task forces: one on labour welfare and the other on occupational safety in RMG. The government also formed a Compliance Monitoring Cell (CMC) in 2005 to encourage implementation in the sector. Following the tripartite Memorandum of Understanding (see Appendix C and E), drawn up and signed by employers, employees and government to put an end to the unrest, monitors from the Bangladesh Garments Manufactures and Exporters Association (BGMEA) started visiting factories to measure compliance from 25 March 2007, to ensure the implementation of minimum wages and other basic labour rights and to monitor the application of Labour Law 2006 in RMG factories (Claeys and Brachet, 2008; Choudhury, Hussain, 2005). But, there is no clear understanding on how best to implement and monitor compliance, so compliance remains a major problem in the industry (EPB, 2007). Chapters 4 and 5, deal in detail with these provisions.

Labour inspection mechanisms exist that are intended to monitor labour rights violations in different workplaces. The Directorate of Labour in Bangladesh is responsible for monitoring factories to see if they have complied with building codes and met essential safety standards. But the proper application of legislation depends on an effective labour inspectorate, and it is clear that the current labour inspection system has been inadequate for the thousands of factories and millions of labours.

Morshed (2007) believes that labour rights can be ensured if the Bangladesh Government can formulate and implement a comprehensive and effective labour law that incorporates labour rights in the RMGI. When labour laws are properly implemented, workers receive regular and timely pay, enjoy a safer and more secure working environment, and have access to training and promotion. If this had been the case in the Bangladesh RMGI, the labour unrest would never have occurred (Morshed, 2007).

Labour legislation in Bangladesh dates back to the British administration, and much of it is obsolete and outdated. After separation in 1947, some of the old laws were adapted and 25 new labour laws were passed. Between 1971 (independence from Pakistan) and 2002, 13 more labour laws were promulgated (Mondal, 2002).
Manufacturing and industrial labour relations are currently governed by the Factories Act of 1965 and the Factories Rules 1979, both designed to protect labour and provide for safe and hygienic workplace conditions, but these are generally applied only in fairly large factories (Mondal, 2002). The Government of Bangladesh passed the Bangladesh Labour Act, 2006 on October 11, 2006 repealing 25 important Labour Laws which includes factories Act, 1965, Shops and Establishments Act, 1965, Employment of Labour (S.O) Act, 1965, Payment of Wages Act, 1936, Workmen’s Compensation Act, 1923, Industrial Relations Ordinance, 1969 and others (BSS, 2010).

Recently the government has amended some laws regarding labour rights. This new law has introduced a good number of important matters such as retirement benefits, death benefits, appointment letters, compensation both for death and permanent disability, introduction of a provident fund for workers, punishment for sexual harassment and so on (BSS, 2010). Improvements include the extension of maternity leave from 12 to 16 weeks, and the ability to create trade unions in specific sectors. In addition, all prosecutions for offences under the Labour Code 2006 must now take place in the Labour Court - rather than in the Magistrates Courts as before and the court should follow the Criminal Procedure Code (section 313(1)). Complaints can be lodged either by an inspector\textsuperscript{15} or an aggrieved person or trade union - but they must be done so within six months of the commission of the offence (section 313(2) (BSS, 2010).

Existing labour legislation and provisions primarily protect skilled and semi skilled adult male workers who are represented by unions and collective bargaining associations (Claeys and Brachet, 2008). Countries have legislation, which literally provides benefits, and rights to workers but in reality governments fail to enforce labour laws properly because the government agencies are overloaded by other responsibilities. In addition, several critics point to the fact that the new labour laws still lack a process for enforcement.

\textsuperscript{15}[Section 319(5) allows an inspector to lodge a complaint to the Labour Court with regard to commission of any offence] (BSS, 2010)
The challenge for importers, NGOs and Bangladeshi authorities is therefore to find out how to improve working conditions. The main problems include the absence of labour standards monitoring system and ineffective building codes, poor enforcement and outdated labour laws, and a lack of awareness of labour rights among workers. As a result, most of the garments factories violate the ethical standard as well as ignoring employee’s rights and benefits. Haider (2007) suggests that Bangladesh needs to concentrate on improving the working environment in factories and address other social issues related to the garments industry. Murshid, Salma, Milford and Wiig (2003) advocate ensuring ethical trading and implementation a Code of Conduct to improve working conditions in the sector. The government, NGOs, international agencies, buyers and other stakeholder groups promote full compliance with mandatory requirements as specified in the law.

Bangladesh can learn from Better Factories Program in Cambodia. A unique trade agreement between the United States and Cambodia, which has produced better labour standards in the Cambodian garments manufacturing industry (Polaski, 2006). In fact, Cambodian labours have the same level of productivity and the same lead-time but its garments industry is a role model for other countries. These contrasting experiences suggest that in less developed countries, governments can consider trade-linked schemes to achieve improvements in working conditions those are guaranteed national labour codes, respected working hours, fair wages, banned forced and child labour, protected illegal pay deductions, maintained health and safety working environment, and freedom to associate and bargain collectively (Kolben, 2004; Hall, 2000; Zohir, 2001). While extremely low wages and poor working conditions have persisted in Bangladesh, compliance has begun to improve in Cambodia following the US agreement, which supported an ILO monitoring system that linked positive trade incentives with labour standards enforcement (Rabinwotz, 2006).

16 This program includes not only technical assistance and capacity building for strengthening the enforcement capability of Cambodia’s government, but also direct monitoring and inspections of all garments factories by ILO personnel (Polaski, 2006).
2.2 Conclusion

This literature review indicates that most garments factories in Bangladesh pay little attention to labour standards and labour rights, disallow trade union activities, and discard fair labour practices, and compliance enforcement is limited. This has led to the labour unrest in the RMG sector. Consequently, many international buyers now demand compliance with their own Codes of Conduct before placing import orders for Bangladeshi garments. These issues are fundamental to workers’ interests but at the same time, costly to implement. There is a need for harmonising the demand for Social compliance by international buyers, in order to avoid unnecessary costs and confusion on the part of export industries in Bangladesh.

The Bangladesh government formed a Social Compliance Cell along with task forces on labour welfare and occupational safety in the readymade garments industry. The Compliance Monitoring Cell provides secretarial support to the National Social Compliance Forum (SCF), monitors compliance with the MoU, raises awareness on compliance issues, and forges links with international buyers but it is not working according to the ILO standards.

The analyses of working conditions in relation to labour rights and labour standards have been the subject matter of many discussions and studies. This chapter identifies and discusses issues concerning and affecting fair labour practices, labour unrest caused by the poor employment conditions and unsafe working environment, ineffective laws, the absence of collective bargaining, and the limited role of stakeholders.

The literature review suggests that government, trade unions, factory owners, ILO and other international bodies, Social Compliance Forums (SCF), Compliance Monitoring Cells (CMC), NGOs and other stakeholders should work together to bring about Social compliance for a viable and competitive RMG industry in Bangladesh. At the same time, significant reform of the relevant agencies along with sufficient strength and skills to perform their duties and responsibilities is a prerequisite to monitor Social compliance.
Thus the research question posed is: *Could Social compliance monitoring improve working conditions in the Bangladesh Readymade Garments Industry according to the ILO Conventions?*
2.3.0 Research objective and expected contribution

The chapter seeks to identify the causes of unrest amongst the workers in the RMG sector and to relate this unrest to labour standards and labour rights, fair labour practices and to suggest ways to improve working conditions through the establishment of Social compliance in the Bangladesh Readymade Garments Industry encompassing the government, multinational agencies and other stakeholders.

2.3.1 Purpose of the Research

The purpose of the research and its contribution is how to improve working conditions and to what extent Social compliance assist this improvement.

The research program has been designed to examine and assess the RMG industry in Bangladesh by examining working conditions, working environment, health and safety issues, labour unrest, social safety nets, government and stakeholders role, treaties and bilateral agreements, labour rights issues, labour standards, Decent work and by identifying lapses in establishing International Labour Standards in the RMG industry. In addition, we review the application of the Factory Act 1965, the Fair Labour Act, the Code of Conducts, the WTO Conventions and the ILO Conventions. Furthermore, we also compare the performance of the Cambodian garments manufacturing industry and its success and the situation in some other comparable countries.

2.3.2 Hypothesis

The research hypothesis is that an effective monitoring and surveillance system with the assistance of Government agencies, multilateral agencies and other stakeholder groups (ILO, World Bank, WTO and national and NGOs, Trade union and Civil society) could improve Social compliance in the Bangladesh Readymade Garments Industry.
The prime objective of this research is to highlight the most important issues and challenges facing Social compliance. These include an inadequate application of labour standards and labour rights, law and enforcement, collective bargaining activities, fair labour practices as well as the government of Bangladesh and entrepreneur’s role in implementing the decent work in the RMG sector.

The analyses of working conditions in relation to labour rights and labour standards have been the subject matter of many discussions and studies. A number of issues that especially concern and effect employment, fair labour practices, global labour standards, labour rights, Code of Conducts, Decent work, international communities and other stakeholder role, buyer demand, weak law enforcement and labour unrest (cause of law wages, working hours, overtime, health and safety, job security, the right to form trade unions and environment security), are identified and discussed in this research. These issues address labour rights and labour standards with links to Social compliance. Generally, labour rights and labour standards issues are associated with Human Resources (HR) and Industrial Relations (IR) activities that are controlled by government mechanisms, and international law and policy. Therefore this research pays particular attention to government mechanisms, national laws and regulations, international laws and policies, labour standards according to the ILO conventions, the Factory Act 1965 and the Fair Labour Act according to the WTO Code whether following in the RMG sector or not. Moreover, the research also examines the roles of government, trade unions, multinational-agencies and other stakeholders. In addition, it also discusses relevant international treaties and agreements, threats or pressures for better treatment to improve working conditions in the RMG sector.

The research identifies ways to improve the working conditions leading to the mitigation of labour unrest through establishing Social compliance in the RMG industry. The establishment of HR or PM units throughout the RMGI is a high priority for the improvement of working conditions. Other prerequisites include fair labour practices, suitable building codes for improving health and safety, comprehensive labour legislation and regulation, stricter enforcement of factory laws and more effective procedures for ensuring compliance with them, and effective monitoring mechanisms. Another key to sustainable improvements at the workplace is
to ensure workers’ rights to organise and bargain collectively. The state must protect these rights by creating a system for complaints concerning violations, adjudication, remedies, and penalties. Finally, paying due attention to treaties and bilateral agreements, the ILO and the WTO and other stakeholders’ roles, and pressure from international communities is also important for the improvement of Social compliance.

Fulfilling the purposes required, the following specific aspects of garment industry in Bangladesh have been studied in detail;

- importance of RMGI;
- working conditions in RMGI;
- labour unrest in the RMGI;
- address of Factory Act, 1965 and ILO Conventions
- extent of Social compliance in RMGI
- lapses in establishing International Labour Standards or Social compliance in Ready Made Garment Industry;
- treaty and bilateral agreement
- labour rights, fair labour practices, Code of Conducts, Decent work and Global labour standards;
- role of international community and stakeholders to improve working conditions in the RMG sector;
- role of Bangladeshi Institutions (NGOs, BGMEA, BKMEA, government agencies and other stakeholder) in achieving Social compliance;
- enforcement of Bangladeshi law to mitigate the crisis;

The literature review shows that working conditions in the Bangladesh RMG sector are unsatisfactory in that labour rights and labour standards are not addressed adequately; as a result, the social safety net\textsuperscript{17} is ignored (see Appendix A for fuller details of the social safety net). The research shows that the Compliance Monitoring Cell is limited in its operation and enforcement. Furthermore, the lack of an

\textsuperscript{17} The social safety nets can be broadly defined as those instruments aimed at providing extended social protection and guarantee of social security to the most needing sections of society particularly the working class and the social poor.
enforcement law, together with inadequate skilled staff and logistics support are barriers to compliance monitoring. This literature review identifies problems in the RMG industry, and suggests potential solutions.

In order to address the research gaps identified and articulated in the introduction, the first purpose of this work is to address HR and IR activities, the second to compare labour standards and labour rights, and the third to clarify the concept of Social compliance and its relation to core labour standards.

Most researchers identify contradictions between Social compliance and labour rights and labour standards, including Decent Work. Usually labour rights or workers’ rights are a group of legal rights and claimed human rights having to do with labour relations between workers and their employers, mostly obtained under labour and employment law. In general, these rights’ debates have to do with negotiating workers’ pay, benefits, and safe working conditions. One of the most central of these rights is the right to unionise (Stefanie and Harrison, 2005).

Labour standards are legal instruments drawn up by the ILO’s constituents (governments, employers and workers) and setting out basic principles which are accepted internationally. They are included in the concept of decent work introduced by the ILO in 1999 and focus on core labour standards, including wages, working hours, overtime, health and safety, job security, the right to form trade unions, environment and social security (ILO, 2009).

On the other hand, a Code of Conduct is a set of rules outlining the responsibilities, ethical role, and proper practices in contemporary business for an individual or organisation in a way that respects the human rights. Code of Conduct includes minimum labour standards, occupational safety measures and environmental concerns.

Consequently, Social compliance is a combination of labour standards and Code of Conducts. Social compliance ensures working conditions in the manufacturing unit from social, political and economic points of view.
An extensive literature survey has been undertaken in order to review the historical perspective, growth and development of the garments industry, working conditions and environment, labour standards and labour rights issues, as well as this lack of Social compliance. Based on this literature review, working conditions in the RMG sector are below standard according to the ILO, law enforcement is weak and HR and IR activities are absent. As a result, workers’ rights are grossly violated in the Bangladesh RMG sector. Consumers in the EU or USA may reject products from Bangladesh and consider they are produced in abusive and exploitative conditions, which do not adhere to labour rights, labour standards and working conditions. Therefore, we set the research objective as: to what extent can Social compliance be incorporated in the RMG sector?

Thus, the primary research question is set as: Could Social compliance monitoring improve working conditions in the Bangladesh Readymade Garments Industry according to the ILO Conventions? In addition, we also include a supplementary research question: Does an Effective and Extensive Monitoring and Surveillance System program improve the Working conditions in Bangladesh RMG Sector?

To test this hypothesis we developed some secondary questions. These are:

a) Do the RMG owners, including the government, respect labour rights and labour standards according to the ILO? Do the RMG owners, including government, address HR and IR issues in the industry, and does this result in an improvement of working conditions?

b) How does the Labour Law or the Factory Act operate in the Bangladesh RMG sector?

c) Is law enforcement working effectively in the RMG industry?

d) Does stakeholder groups’ influence lead to improved working conditions in the RMG sector? What is the role of the international community and other stakeholders in this process?
e) Does globalisation improve labour standards?

f) Does the ILO monitoring system improve labour standards? Does it facilitate Decent work?

g) Can a monitoring system improve working conditions? To what extent can Social compliance be incorporated into the Bangladesh RMGI?

h) Can the implementation of an effective monitoring and surveillance system (in association with the Bangladesh government, international agencies and other stakeholders) be effective in improving Social compliance in the Bangladesh RMG Industry?

The above research questions are generated from the literature review. These questions are interrelated working conditions, HRM and IR activities, fair labour practices, health and safety issues, labour disputes, effective law and resolutions, stakeholders’ role, the ILO and the WTO Conventions, government process and arrangements which links to Social compliance. These research questions are exploratory in nature and descriptive, and in some cases didactic.

Answering such questions is a challenge for both researchers and practitioners. For the purpose of addressing these research questions, a case study design is used in conjunction with a literature review, workshops and observational research techniques.
2.3.0 Research structure

This section describes the layout of the thesis.

Chapter 1 outlines the background to the research and explains the focus of the thesis, detailing the relevance of the research to the current body of literature. It contains a review of the history of Bangladesh from geographical, political and socio-economic aspects, and an overview of the Readymade Garments Industry (RMGI) in Bangladesh. The historical growth of the Bangladesh RMG industry is described. The RMG worker contribution to the national economy is set in the context of GDP growth and social change. Working conditions and the environment in the industry together with key challenges are described and used to identify appropriate research objectives.

The literature review, Chapter 2, covers research on working conditions, Social compliance, labour unrest, globalization and labour standards and the working environment (health and safety issues) in the Bangladesh Garments Industries. The literature review concludes by identifying gaps in existing knowledge. The review elucidates subsidiary research objectives for the study.

The research aims and objectives are outlined, along with the research approach taken and overall research deliverables. To meet the research objectives, primary and secondary questions including additional research questions are identified.

The research methodology in Chapters 3 and 4 is developed from the research questions. The research issues are verified and analysed according to the research questionnaires through a literature review, study of related journals, periodicals and reports, single case studies and some general case studies. Subsequently the research approach from the literature review is applied. Then the research approach and theoretical background and research methodology is addressed. The chapter also develops the theory by reviewing case studies and applied research models to develop an effective monitoring and surveillance system program (EMSS).
Chapter 5 discusses in detail the constraints to establishing Social compliance and to what extent working conditions can be improved. Problems are verified such as recruitment processes, excessive work, wage discrimination, health safety issues, child labour issues, forced labour, job satisfaction, labour unrest, social safety net, TU participation, stakeholder roles and compliance with the Bangladesh Factory Act 1965 and Fair Labour Act are discussed and compared with the ILO labour standards and monitoring certificate system. This chapter also discusses the benefits of HRM and IR practices. Further discussion analyses how some countries have developed their labour standards through best fair labour practices with the involvement of the international community.

This chapter also examines the role of international communities, multinational corporations and their contribution to improving working conditions in manufacturing industry such as WTO, ILO and other international agencies. The ILO core labour standards along with eight fundamental rights and WTO conventions are highlighted. An effective way to ensure labour rights through ILO and WTO rules and some agreements of GATT, NAFTA, SAFTA, GSP facilities, Code of Conduct, and decent work are also discussed in this chapter. Finally, the ILO supervisory and monitoring systems are discussed. The ILO supervisory system is that, rather than settling formal disputes, it uses regular supervision to help avoid disputes altogether and to enhance overall compliance. The ILO supervisory system is a cohesive structure that employs a wide array of measures, all designed to persistently pressure States to comply with their obligations. In addition the research also examines how a non-governmental monitoring system has improved working conditions, for example in the Nike and Footwear industry. Following these reflections, chapter five builds on the relational perspective of HRM and IR practice through an effective monitoring and surveillance system program. After developing the framework, the chapter provides some illustrations and applications of the theory constructed, in order to show its relevance and applicability.

Several case studies relating to decent work and fair labour practices are discussed in Chapter 6. This discussion also examines collaboration with employers, stakeholders and multinational agencies, which can be effective in implementing decent work and fair labour practices through international pressure and bi-lateral agreements.
Moreover, it highlights the role of work place agreements, such as Australia’s fair work, in addressing best labour practices.

Then, the findings of the research are discussed and expanded upon. The research addresses the status of Bangladesh labour standards and working conditions compared with developed countries’ labour standards and contrasted with the Cambodian garments manufacturing industry. In addition, the *Cambodian Better Factories program* and its contribution to a harmonious relation between employers and the employees are analysed.

Chapter 7 includes conclusions and recommendations for the RMGI of Bangladesh, how Social compliance can be introduced and established in the RMG industry and focuses on the role of international community, government, civil society, international buyers and other stakeholders.

Then, areas for further research are identified. Finally, the limitations of the research are discussed.
Chapter 3

3.0 Methodology

The objective of this chapter is to develop the methodology for the research. To this purpose, first I define the research questions. Second, I highlight the main elements of the research design. Third, I review key aspects of the empirical setting.

3.1 Research Question and Process

As described in the introduction, the purpose of this research is to what extent Social compliance can be incorporated into the Bangladesh RMG industries.

Working conditions in the RMG sector are below standard compared to the ILO labour standards. Most of the garments factories do not address labour standards and ignore labour rights, discarding fair labour practices. Furthermore, ineffective laws and inadequate attention from government officials and entrepreneurs has made working conditions in the RMG sector vulnerable. The poor working conditions in the RMG factories and the lack of Social compliance are serious concerns, which have, since 2006, led to labour unrest and damage to institutions and properties.

This research identifies the root causes of labour unrest, investigates labour standards as well as labour rights and considers the issues in establishing Social compliance in the RMG industry. Consequently working conditions, labour rights and labour standards, the Factory Act, 1965, the Fair Labour Act according to the WTO and the ILO Conventions, government policy and mechanisms, trade union and other stakeholder’s role are examined and compared. The research questions are evaluated in terms of their application in Vietnam, El Salvador, Japan, Indonesia, Canada, Australia, Thailand and especially Cambodia where garments manufacturing factories and textile industries are operating successfully. The research also focuses on the role of the international community, stakeholders and native government. For example, it considers the Code of Conduct and non-governmental monitoring systems in the case of Nike.
3.2 Research Design

The research pursues its purpose through a multiple study that integrates results obtained through different research methods. This section briefly overviews the research methods adopted. Each chapter provides further details on the methodology used in collecting and analysing the data.

It is generally agreed that Bangladesh RMG industries do not address labour standards and labour rights. Most of the garments factories owners maintain good links with political parties and maintain a regimented environment in the factory through an alliance between the police force and their own security personnel. There is evidence, in one case, where workers were killed by gangsters and their relatives were unable to make a case against them. Sometimes they do not even release the dead body to the relatives. Many researchers, NGOs workers, and civil society people, tried to inquire into factory working conditions but these gangsters assaulted them. In most cases, researchers were prevented from visiting the factory. Therefore, it is very difficult to monitor the working place and evaluate working conditions. For this reason, we have not been able to undertake direct data collection and surveys. In addition, the key focus group the garments workers are illiterate; they have little knowledge of human rights, decent work, labour rights and labour standards. Furthermore, the stakeholders’ role in the RMG industry is limited. Therefore, a literature review, focus group discussions, participation in workshops or seminars, case studies and some examples from other countries were chosen as most useful for this research study.

Data was collected through various workshop techniques such as group discussion, brainstorming and post-it notes. Workshops, sometimes described as focus groups, are a method of discussing issues around a particular subject with a specific group of participants: A group can work on or explore specific issues and problems in order to learn or acquire more information (Gilgeous, 1995). The purpose of a focus group is to listen and gather information; it is a way to understand how people feel or think about an issue, product, or service (Krueger and Casey, 2000: p.4). Using workshops as a method to generate data and information has several advantages. Workshops tend to provide a more open setting for participants and offer more excitement and stimulation with regards to interaction with other people (Lettice, 1996). This in turn
encourages debate and discussion, resulting in new ideas and rich data from multiple perspectives. The process allows the researcher to gain a good understanding of the research issues and provides an environment to explore the issues in depth during the workshop. In an academic setting, the workshop can provide a primary or secondary data collection source for the researcher. From this perspective, the goal is to collect data that is of interest to the researcher and gain further insights into the research area (Krueger and Casey, 2000). Workshops have the disadvantages of taking considerable time to organise and of having associated financial costs. Moreover, it is difficult for participants to attend the workshop during their regular working day. Although workshops run a risk of producing high-level (generalized) information, this problem can be minimised by having clear and focused questions for the participants, a facilitator who understands what the important issues are, enough time to develop deep discussions and having participants knowledgeable in the research area. Consequently, I attended several seminars, participated in Training sessions (Warehouse) and workshops as a delegate and invited participant through the Liquor, Hospitality and Miscellaneous Union (LHMU, later on called United Voice), Australia where I gathered knowledge, exchanged views, shared knowledge and ideas. Especially this workshop contained agenda on workers’ rights, Agreement between Trade Unions and Employers and sessions on government and union roles. I also attended several workshop and induction seminars where organisation role and safety issues were presented. During these seminars, I raised several questions regarding HR issues and solutions. I collected some relevant documents regarding the issues (workers’ rights, minimum working hours, labour standard, health and safety issues, agreement etc) which I was able to apply in this research.

The research also incorporates a literature review. Literature reviews are secondary sources. For most research, a literature review is considered as the logical starting point (Hart, 1998). The purpose is to gather information on the area under investigation so that the researcher can gain knowledge and draw some conclusions. It is also important to narrow the scope of the research by identifying the gaps in current

18 The facilitator’s role also means ensuring that all questions are covered and that interesting issues are picked up on and discussed thoroughly.

19 (minimum working hours, wage, occupational health and safety and job security, collective bargaining, and clean start program)
knowledge thus helping to focus the research questions for the investigation (Robson, 1993). Hart (1998) defines a literature review as:

the selection of available documents (both published and unpublished) on the topic, which contain information, ideas, data and evidence written from a particular standpoint to fulfill certain aims or express certain views on the nature of the topic and how it is to be investigated, and the effective evaluation of these documents in relation to the research being processed (pg. 13).

A well-structured literature review is characterised by a logical flow of ideas; current and relevant references with consistent, appropriate reference style; proper use of terminology; and an unbiased and comprehensive view of the previous research on the topic. Its ultimate goal is to bring the reader up to date with current literature on a topic and forms a basis for planning future research (Dellinger and Leech, 2007). Robson (1993) states that the academic tradition of conducting a literature review as the foundation for the inquiry and at the beginning of the study may not always apply to real world studies. Research literature can provide a background resource to the researcher rather than the essential starting point for the research designs. This view places more emphasis on the client group and the additional information available at a practitioner level that could help guide the research design. Robson (1993) states that:

a good understanding about what is already known or established, does not then have the absolutely central role in applied real world enquiry that it does in fundamental, discipline-developing research but he believes that it is still very important (pg. 23).

Information retrieval is not just about finding but also evaluating information sources to verify whether they are reliable and useable. It is also about finding gaps in existing research and identifying ways to overcome of these. Therefore, it is necessary to collect and verify information gathered from various literature sources and to develop a research strategy (Robson, 1993). As I was unable to utilise primary data collection, the literature review was also considered as a tool for data collection. For a detailed discussion of this, please see page 27-46.

The researcher can develop each issue using information from the data collected, and apply triangulation techniques. The research also incorporates confirming and conflicting findings from literature reviews. This review establishes what research was previously undertaken and leads to refined, insightful questions about the
problem. Key features of the report are specific stories concerning successes or failures experienced by the organizations, conveyed during data collection and answers or comments illuminating issues directly related to the research questions (Hubberman, 1994). The questions are limited to a selected number of events or conditions and their inter-relationships. Consequently, the research questions suggests inquiries and investigations of this problem and the current labour situation. To assist in selecting and formulating the questions, I conducted a literature review. The research questions start with key issues, which suggest where to look for evidence and help to determine the methods of analysis.

The literature review may also assist in evaluating the research sources, and guiding the researcher in the use of this information and its application (Chong, 2007; Dellinger, 2005). There are many resources to help with the evaluation process. New ideas can arise from the analysis of old material or current materials or combined approach. Moreover, a good literature review demonstrates the research field, justifies the reason for the research and establishes a theoretical framework and methodological focus (Dellinger, 2005). In this research, I review the literature, investigate the causes of labour unrest, and assess the current situation in the RMG industry.

Further, I identify good labour standards and best fair labour practices according to the ILO and the WTO Conventions in this research. Research by observational techniques solely involves the researcher or researchers making observations. Observations are usually flexible and do not necessarily need to be structured around a hypothesis. For instance, before undertaking more structured research a researcher may conduct observations in order to form a research question (Robson, 1993).

In terms of validity, research by observation can provide a depth of information about the particular concern. The observational data collection method is what the researcher is trying to find out from the situation by the research (Robson, 1993). In the RMG sector, employers frequently violate ethical standards, which the WTO considers to be mandatory. As a result, some research questions were developed to examine labour rights and labour standards as prescribed by the ILO and the WTO conventions. Related issues are the extent of violation of human rights and the
This research investigates and verifies working conditions in the Bangladesh RMG industry through case studies. A case study contains what has been happening in a business or industry over a number of years and allows multiple sources of evidence (Neale and Thapa, 2006). Moreover, the case study research method is an empirical enquiry that investigates a contemporary phenomenon within its real life context, when the boundaries between phenomenon and context are not clearly evident (Mikkelsen, 1995; Robson, 1995). The case study method also involves detailed, holistic investigations; data can be collected over a period of time; data is contextual - relative to a certain industry; and it can use a range of different measurement techniques (Davies, 2005). The case study provides useful information and evidence on the problem, and its resolution, in other circumstances, to improve working conditions. Therefore, several case studies are examined, compared and contrasted particularly between the Cambodian and the Bangladesh garments industry.

Critics of the case study method believe that case studies are limited, and, in general cannot provide a full representation of all the elements of interest (Howitt 2001). When everything is considered to be related to everything else, it is easy to lose focus (ibid). Others feel that case studies have limited explanatory power (Feagin, 1991). It is also possible that the intense exposure in a case study may bias the findings while others reject case studies as useful only as an exploratory tool (Yin, 1989: pp.18-27). Nevertheless, researchers have used case studies with success for carefully planned and applied analysis of real-life situations, issues, and problems (Yin, 1994: p.33). In addition, reports on case studies from many disciplines are widely represented in the literature.

Case study research assists the understanding of a complex issue and can extend experience or add strength to what is already known through previous research (Yin, 198: p.23). Case study data can be used for theory building as well as theory testing. The case study method is particularly useful for answering how and why questions (Miles and Huberman, 1994). In order to address a complex research problem and to increase the reliability of the findings, different research methods and data types may be combined in a single case study. The triangulation made possible by multiple data...
collection methods provides stronger substantiation of constructs and hypotheses (Eisenhardt, 1989: pp.538). As the research question posited here concerns HR and IR, international labour standards, decent work and fair labour practices, which depend on national governments, international organizations and other stakeholders, we choose a combined research method. Chapter 4 develops the theory and provides illustrations from case studies. A potential weakness of case study research is that the large amount of rich data that is gathered leads to developing theory that while rich in detail, is too specific and lacks an overall perspective (Eisenhardt, 1989).

Case study research can be divided into single-case and multiple-case designs. In a single case study, research is conducted within a single case, which makes it possible to gain deep knowledge about the research problem and to examine all possible causes and effects (Neale and Thapa, 2006). Also, the single case can be used as a critical case or an extreme or unique case to address the research question. A multiple case study design provides the opportunity to compare different cases, which improves the likelihood of accurate and reliable findings (Eisenhardt, 2007: pp.25-32; Miles and Huberman, 1994). Using multiple case studies enables researchers to go beyond initial impressions, especially using structured and diverse lenses on the data (Eisenhardt, 1989: pp.620-627).

Researchers can also use literal or theoretical replication through multiple case studies. Moreover, cases in different types of conditions or contexts can be selected so that, if the findings support the hypothesised contrast, the external validity will increase (Miles and Huberman, 1994). In line with this, a multiple case study is used to develop and assess conceptualisations of strategic, internal, organisational, and institutional fit. For example, the ILO’s greatest recent success is its campaigns against child labour and its role in monitoring. Multiple cases are particularly effective since they furnish comparative data that can yield more accurate results than single cases (Eisenhardt, 2007: pp.25-32). This led to an investigation of labour standards in developed countries and comparisons with some model countries. One prime case study and several case studies has been chosen for detailed investigation and compared with one or more number of related general cases. The illustrations below are based on case studies of the Cambodian garments manufacturing companies (one main case and six for comparison purposes with different issues).
To develop a research methodology, I initially decided that a number of factors should be kept constant within the cases for the purpose of replication. The issues are HR and IR related which link to labour rights and labour standards. But these issues rely on national government processing and international policy. Consequently, a number of countries were selected from those exercising fair labour practices. Secondly, I compared and contrasted labour standards and rights between these selected countries. The findings suggested that the ILO monitoring system could be useful in the RMG sector. But the problem was that labour rights and labour standards depend on national government mechanisms and the roles of the international community and other stakeholders. Therefore, I developed as a possible model an effective monitoring surveillance system (EMSS) which would focus on the RMG sector to see whether labour standards were implemented or not. This model suggests ways to improve working conditions through the establishment of Social compliance in the Bangladesh RMGI. It also contains a development of Social compliance tools to measures labour standard and to examine fair labour practices and to identify the root causes of unrest amongst the workers in the RMG sector, and the extent to which Social compliance can be incorporated in the RMG sector.

3.3 Conclusion

This research has been pursued through secondary materials. The data was collected through a number of techniques. I conducted extensive archival work, collecting relevant articles and reviewing corporate documents. I also collected information from NGOs working on Social compliance issues. I conducted workshops and other group sessions. The range of data sources allowed for the triangulation of evidence. Criteria for a multiple case study were established, and I examined the working conditions in some countries according to the Factory Act and the ILO labour standards, the Fair Labour Act and the WTO Code of Conduct. A model surveillance system was developed to monitor working conditions and compliance in Bangladesh RMG factories.
Chapter 4

4.0 Theoretical Background

The chapter develops a research model based on theories and principles from Human Resource Management, Industrial Relations, Stakeholder Theory, Socio-Political HRM Practices, Legitimacy Theory, Trade Union Concepts, Natural Rights Concepts, Citizen Right Concepts and the ILO Monitoring Approach. This Model is then used to develop an effective monitoring and surveillance system (EMSS) to address Social Compliance to remove labour unrest from the RMG sector.

4.1 Strategy

People are critical to any organization; without them, daily functions such as managing cash flow, production of goods, making business transactions, communicating through all forms of media, and dealing with customers could not be possible (Huang, 2006; Zhang and Gong, 2009). People and the potential they possess drive an organization. To maximize organizational effectiveness, human potential—individuals’ capabilities, time, and talents—must be managed (Wright, 2003; Cherrington and David, 1995). In the RMG sector, a work supervisor always controls workers. He is the highest authority in the factory reporting to the factory owner. However, work supervisors often have no training in leadership, human resource policies, law and legislation, and health and safety policies. Most of the garments factories also have no well-defined HR department, but where present, human resource managers play an important role in the industry. Their main goal is to maximize the organization’s potential through its human resources. Without the activities they supervise, companies could not function successfully or fulfill their goals. Physical and monetary resources by themselves cannot improve efficiency or contribute to an increased rate of return on investment (Zhang, 2008). Thus the combined and intensive efforts of human resources, along with financial and material resources, contribute to achieving organizational goals. Human resource management works to ensure that employees are able to meet the organization’s goals (Cherrington and David, 1995). Human resource management is responsible for employees, and how they are treated in the organization. It is also responsible for recruitment and
training, compensating workers for their labour and resolving labour disputes (Cherrington, 1995: p.5).

Working conditions in the RMG sector are poor and the factories often do not have PM or HRM units. As a result, workers’ rights are minimal. The Human Resources Management (HRM) function includes a range of activities such as recruiting and training the best employees, ensuring they are high performers, dealing with performance issues, and employee benefits and compensation, employee records and ensuring personnel, and management practices conform to various regulations and personnel policies (Wiley, Carolyn 1992; McNamara, 2009). Usually HR operates scheduling vacations, managing sick leave, and development bereavement policies that apply to all employees. It also monitors performance improvement that leads to employee satisfaction and solving problems.

HR functions operate through human resources departments. HR departments are better organised, and play an important role in staffing, training and assisting management to achieve maximum performance and work satisfaction (Stone, 2002). These departments also serve as an intermediary in conflicts between management and trade unions (Cherrington, 1995).

The HR department recruit qualified applicants through job postings or other forms of advertising, but it also assists in screening candidates’ resumes and bringing those with the proper qualifications in for an interview (Guest, 1990). Once a qualified individual is appointed into an organization, another function of HRM comes into play creating an environment that will motivate and reward work performance (Guest, 1987). Performance appraisals not only assist in determining compensation and benefits, but they are also instrumental in identifying ways to help individuals improve their current positions and prepare for future opportunities (Mondy and Noe, 1996).

Most of the RMG factories have automatic machinery. Coupled with workers lack of education, skills and technical knowledge, this can lead to accidents causing death or injury (Beguma, 2005). As there is no HR or PM unit, the RMG authorities do not practice HR and IR issues. As a result, RMG workers never receive training. HRM
department ensure employees have proper training; there are groups of employees organized as unions to address and resolve employment-related issues. Because training focuses on learning the skills, knowledge, and attitudes required to perform a job or task or to improve upon the performance of a current job or task initially, while development activities are not job related, but concentrate on broadening the employee’s horizons (Nadler and Wiggs, 1986: p.5). The absence of an HR function in the RMG sector creates difficulties with workers.

The working environment in the RMG sector is deficient in a number of ways including health and safety and the work environment. As a result, workers often suffer disease and are injured or even killed. The HRM department ensures that employees’ rights are not violated, and that the organization provides a safe and healthy working environment (Guest, 1990). Mondy and Noe define safety as protecting employees from injuries caused by work-related accidents and health as well as keeping employees free from physical or emotional illness. The Occupational Safety and Health Administration (OSHA) was formed in 1970 for prevent injury or illness. OSHA seeks to improve safety and health and to reduce accidents through workplace inspections, citations and penalties, and on-site consultations that lead to increase productivity and reduce operating costs (Cherrington, 1995). In the RMG sector, injury and fatality are common due to faulty building design and in additions workers suffer various diseases owing to the of absence of OSH practices. The research suggests improving OSH issues through HR and IR practice through a HR or PM unit.

Generally, HR professional’s regular duties and responsibilities include compensation and benefits, performance management, employee relations, talent acquisition, organizational structure, employee development, and compliance (Guest, 1990). They are involved in strategic aspects of the business as well as the legal and operational aspects of managing an organization’s most valuable resource, the human resource (Stone, 2002: pp.3-14). Within this environment, the HR professional, fostering effective methods of goal setting, communication and empowerment through responsibility, builds employee ownership of the organization.
The HR manager is the key recruitment and employment for line managers. The HR manager develops policies and procedures and is a catalyst and energizer of the relationship between line managers, supervisors and employees at different levels within the organization. Moreover the HR manager discusses employee relations and policies with managers of other departments, and coordinates and motivates employees (Susan, 1995).

The HR manager plays an integral role in organizational success via his knowledge about and advocacy of people. He or she provides employee development opportunities, employee assistance programs, gain sharing and profit sharing strategies, organization development interventions, problem solving and regularly scheduled communication opportunities (Susan, 2000). HR managers frequently initiate internal changes because of the external changes and government regulations (Heller, 1993). The absence of any HR function in the RMG sector can be a factor in serious labour unrest.

In any factory, regardless of size, the HR unit has crucial role. Generally, in small organizations- those with fewer than a hundred employees-there may not be an HR department, so a line manager is responsible for the functions of Human Resource Management (HRM). In other cases, a Personnel Management Department is responsible for the day-to-day functions. The HR Department may call the Personnel Management Department (Cherrington, 1995: p.5; Stone, 2002). HRM is a planned approach to managing people effectively for performance. It aims to establish a more open, flexible and caring management style so that staff will be motivated, developed and managed in a way that they can give of their best to support departmental missions (Michael, 1995). Huang (2000) was critical. He claimed that poor HRM practices influence employees’ intention to leave, levels of job satisfaction, and organizational commitment, while good HRM practices are instrumental in helping achieve departmental objectives and enhanced productivity (Huang, 2000). A good human resources section can be one of the most valued and respected departments in an organization; their job is people, and people are the company’s most important asset. In the RMG sector, the establishment of HR departments or PM units has the potential to facilitate productivity.
Industrial relations looks at the relationship between management and workers, particularly groups of workers represented by a union, which is legitimate representatives of employees; conflict is resolved by collective bargaining and, if managed correctly, can improve progress and positive change (Anyemedu, 2000). Collective bargaining involves management and the unions trying to negotiate and resolve any issues peacefully before strikes, picketing or a management lockout (Cherrington, 1995). Trade unions negotiate in partnership with management, with both sides offering incentives and resistance, demands and counter-demands, claims and counter claims (Keith, 2007). In an example, labour unions are very active in the clothing sector in Cambodia and have acted as mediators between workers and factory owners to settle disputes and discuss wages (Morshed, 2007, Case study see page 180).

In addition, Industrial Relations as a theoretical model, involves the process and conventions of governing workplace relations and the institutions established to govern and enforce these rules. Processes, such as negotiation, conciliation, arbitration, collective bargaining, individual bargaining, and their governance and enforcement are generally mediated through institutions including trade unions, employer associations, industrial tribunals, state-sponsored regulatory bodies and the civil courts (Guest, 1987; Gospel and Palmer, 1993: p.3; Keith, 2007). HR managers liaise with union organizations, but they are also responsible for resolving collective bargaining issues on wages, compensation and benefits, working conditions, job security, discipline procedures, individuals’ rights, management's rights, and contract length (Guest, 1987). Agarwal (2007) stated that with the adoption of HR policies, such as, periodic review of employee performance, adequate training for the workforce and career advancement norms for its personnel, creating motivation, and commitment in the workforce the organization can reap the full business benefits and become successful to the great satisfaction of all its stakeholders. Therefore, we propose incorporating HR and IR activities in the RMG industry for the improvement of working conditions.

Manufacturing seeks to maximize profits through efficient production and better quality, which depends on working conditions as well as a safe work environment. Several stakeholders are involved in production. Freeman (1984) defined stakeholders
as any group or individual who can affect or is affected by the achievement of the organization objectives. Organizations or Firms are framed by stakeholders and they playing an important role in running business. Organization’s successful operation depends on stakeholders’ satisfaction. A firm or organisation cannot maximize profit without paying importance to stakeholders’ interest (Friedman, 2002). A stakeholder could either be from an external or internal organizational. Stakeholders are divided into primary and secondary. Primary stakeholders include shareholders, employees, customers, and suppliers, all of whom have a substantial, and often times immediate impact on the corporation. Primary stakeholders are affected either positively or negatively by an organization’s actions. Secondary stakeholders are the intermediaries, that is, persons or organizations such as environmental lobby groups, regulators, media and consumer advocacy groups indirectly affected by an organization’s actions. Other key stakeholders include governmental bodies, political groups, trade unions, and community associated corporations, prospective employees, prospective customers and buyers (Donaldson and Preston, 1995; Clarkson, 1995).

Diagram of Stakeholders are surrounded in Business firm or organization

Source: Donaldson and Preston, 1995
The following stakeholders group are involved in their perspective areas;

- Employees identifies as stakeholder in the organisation or industry from almost all stakeholder perspectives. They are directly involved at the grass roots level with the organisation and play an important role in any successful operation.

- Employees have the rights for meaningful work (Bowie, 1988). Rowan (2000) argues the employees have the right to respect in which he includes the rights to freedom, well-being and equality. Employee’s rights and benefits could be addressed through collective bargaining process. Employees can significantly influence the firm or organization in decision making through Trade Unions.

- Civil society is in ideal position, usually it plays a great role during any political crisis, emergency or disaster period regarding national sensitive issues. As the labour unrest in the RMG sector is now a sensitive and emerging issue, it could draw the attention of the international community, government and buyers to deliver their valuable advice, suggestions, comments or opinions in the print media, radio and television.

- Many NGOs work with industrial workers in relation to workers rights and benefits, the work environment and working conditions. Their effective role has improved working conditions particularly for child labour in the industrial sector. Therefore, these organizations could address the RMG working conditions in their yearly reports and publications and take necessary initiatives.

- Buyer satisfaction influences the businesses of RMG industry. As the RMG business, success depends on buyers’ demand and satisfaction. Therefore, international buyers can create pressure to address labour standards by requiring conditions be met before they place any RMG purchase or import order.
• The legitimacy of a group corresponds to its recognition by the society by virtue of a contract, of a moral right as result of the below standard working conditions of the firm or company. The stakeholders’ power to influence the firm or company, the legitimacy of the stakeholders relationship with the firm and the urgency of the stakeholders’ demand are all important aspects of the group’s legitimacy. The urgency characterises the stakeholders that are asking for immediate attention (Greenwood and Dc. Helen, 2005)

• Institutions do not exist to serve their own purposes, but rather to govern people, organizations, and institutions (Freedman and Jaggi, 1996). These mechanisms include laws, regulations, economic sanctions, organizational incentives, ethical standards, behaviour and norms (Greenwood and Dc. Helen, 2005). Governments are generally the largest stakeholder in the labour market. They can make policy for the RMG industry and adopt a Code of Conducts. To improve working conditions and fair labour practices, government can enforce the law and resolutions by their agency. Policy makers are instrumental in this process.

The Stakeholder approach is very much concerned with active management of the business environment, relationships and the promotion of shared interests in order to develop business strategies (Friedman and Miles, 2004; Freeman, 1983). It may assist managers by promoting analysis of how the company fits into its larger environment, how its standard operating procedures affect stakeholders within the company (employees, managers, stockholders) and immediately beyond the company (customers, suppliers, financiers, workers).

The Stakeholder approach involves the organizations’ effective action to implement fair labour practices as well as decent work conditions in response to dialogue, pressure, and threat or trade sanction (Freeman, Edward, Phillips, Robert, and Wicks, Andrew, 2003). Workers’ rights protect against discriminatory labour practices and are pre-requisites for successful global business. The extent to which workers’ rights are addressed in any country is an important determinant of competitiveness, as consumers often decline products produced by countries or companies violating these rights. Violations of workers’ rights can be addressed through international buyers,
NGOs, Media, Trade Union, Civil society and other stakeholders. CBS television criticized Nike and Addidas for using child labour in Pakistan (Hyde, 2009). This publicity forced these companies to stop using child labour and initiate rehabilitation programs. In fact, in the Bangladesh RMG sector, workers’ rights are poorly protected and working conditions and the environment are below standard. As a result, international buyers now demand compliance with their own Code of Conduct before placing any garment import order. A successful organization generally satisfies its stakeholder’s demands and maintains good relationships with them (mailto:rclement@pittstate.edu; Jensen and Meckling, 1976; Freeman, 2003). As the RMG sector’s success depends on buyer and employee participation, and then both groups need to be satisfied. Freeman (1984) suggests that managers must formulate and implement processes which satisfy all and only those groups who have a stake in the business. The main task in this process is to manage and integrate the relationships and interests of shareholders, employees, customers, suppliers, communities and other groups in a way that guarantees the long-term success of the firm.

Workers have certain defined rights recognized by the state that cannot be violated including the right to a fair wage, safe working conditions and reasonable time off. There are other workers’ rights including all employees treated equally, paid a fair wage and not subjected to any form of harassment within the workplace. Employees who feel their rights have been violated may file a complaint or take appropriate legal action. In the RMG sector, workers’ rights are poorly protected due to inadequate government attention and weak law enforcement. Within the context of the RMG sector, Legitimacy theory could usefully be applied. Legitimacy is an extension of social contract theory applied to the relationships amongst organizations and individuals and presumes that the existence of organizations is only justified as long as the social values associated with its activity fit within the norms of the society (Dowling and Pfeffer, 1975; Suchman, 1995). Within the context of organisational interaction with society, legitimacy theory has emerged, asserting that organisations continually seek to ensure that they operate within the bounds and values, beliefs and norms of their respective societies, that is, they attempt to ensure that outside parties perceive their activities as being legitimate (Deegan, 2000: p.253). Matthews indicates that organisational legitimacy does not arise from merely making a profit and abiding by legal requirements (Matthews, 1993). Deegan and Rankin suggest that
a violation of the social contract, explicitly, a failure to comply with societal expectations may lead to discontinue the contract. The firm or organization then risks sanctions (Deegan and Rankin, 1996). For example, legal restrictions may be imposed, access to financial and human resources may be limited, and demand may be reduced. Moreover, conditional trade sanctions or threats may affect the behaviour of organization or government level. Being supportive to the human rights, foreign buyers insisted on strict Social compliance on the part of RMG enterprises as pre-condition for importation from Bangladesh. Such practices could be used to put pressure on government to improve and enforce labour standards as well as implement decent work (http://wapedia.mobi/en/Charles_Blattberg). Conceptually this theory focuses on two aspects, as effective government role and Social compliance.

Rights belong to an individual because of being a human. The term came into worldwide use after World War II, replacing the earlier phrase natural rights, which had been associated with the Greco-Roman concept of natural law since the end of the middle ages (Glendon, 2001). However human rights include the right to personal liberty, freedom, expression, religion, organization, and movement; to freedom from discrimination on the basis of race, religion, age, language, and sex; basic education; employment opportunity; and to property. Human rights are freedoms established through custom or international agreement to impose standards of conduct by the law of a particular state and applied by that state in its own jurisdiction (Glendon, 2001). The Universal Declaration of Human Rights 1948, is based on a belief in the inherent (natural) rights, equality, and freedom of human beings, and sets out in 28 articles the fundamental freedoms, civil, political, and economic to be promoted. Since the adoption of the Universal Declaration of Human Rights, many treaties and agreements for the protection of human rights and several regional systems of human rights law are established. Treaties and bilateral or other trade agreements are legally binding commitments, for example, the US-Cambodia trade agreement produced labour standards under the Cambodia Better Factories Program (ILO, 2007). The Central America-Dominican Republic Free Trade Agreement (CAFTA-DR) USA between the El Salvador has provided trade capacity building, dispute resolution and an improved working environment, labour rights as well as labour standards, particularly in the Mandarin International Factory (Case study 1).
Pressures from the United Nations and other international agencies can improve human rights and working conditions through formulating trade policy and other incentives. The International Criminal Court, which came into existence, is empowered to prosecute crimes against inhumanity, genocides, and war crimes. International criminal tribunals were convened to prosecute serious human rights violations and other crimes in the former Yugoslavia and Rwanda (Glendon, 2001). Recently in Myanmar, the eminent democratic leader Aun Sung Suu Kyi, Nobel Prize holder, was released from house arrest as result of pressure from the Amnesty International Organization and the United Nations. The United Nations Working Group for Arbitrary Detention rendered an Opinion (No. 9 of 2004) that her deprivation of liberty was arbitrary, being in contravention of Article 9 of the Universal Declaration of Human Rights 1948, and requested the authorities in Burma to set her free. Then UN Secretary General Ban Ki Moon went to Burma and applied further pressure on the junta to release Suu Kyi and to institute democratic reforms. Finally, the Military government agreed to set her free (Calleja, 2010). Similarly low labour standards, breaches of fair labour practices and poor working conditions in the RMG sector could be drowned to the attention of the international community.

Employees have the fundamental right to liberty and safety within the work place, fair wage, minimum working hour, social safety net, abolition of forced and child labour, collective bargaining spectrum of work related issue and have the right to be consulted in determining the rules and regulations under which environment they work (ILO, 2004). Mostly the ILO is considered to be effective in the protection of human rights. In recognition of its achievements, the ILO was awarded the Nobel Peace Prize in 1969. Such a remarkable achievement owes much to the ILO’s ability to improve compliance with ILO commitments, namely, the implementation of ILO conventions (Cesare, 1996). The ILO is the only tripartite United Nations agency in that it brings together representatives of governments, employers and workers to jointly put together policies and programs. The ILO Declaration on Fundamental Principles and Rights at Work (ILO, 1998) contains a social clause, which sets minimum labour standards. The ILO’s authority stems from its position as the definer and enforcer of core labour standards throughout the world. Core labour standards are those considered as basic and universal and, according to the ILO, they apply to all countries regardless of the level of economic development (ILO, 2006). The ILO
governing body has developed eight fundamental conventions, covering four fundamental principles and rights: freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced or compulsory labour; the effective abolition of child labour; and the elimination of discrimination in respect of employment and occupation (ILO, 2000). These eight fundamental Conventions are:

(29) Forced Labour (1930)
(87) Freedom of Association and Protection of the Right to Organize (1948)
(98) Right to Organize and Collective Bargaining (1949)
(100) Equal Remuneration (1951)
(105) Abolition of Forced Labour (1957)
(111) Discrimination (Employment and Occupation) (1958)
(138) Minimum Age Convention (1973)
(182) Elimination of the Worst Forms of Child Labour (1999)

The ILO is the global body responsible for drawing up and overseeing international labour standards. Working with its Member States, the ILO seeks to ensure that labour standards are respected in practice as well as principle. The ILO’s most recent policy innovation seeks new organizational forms to advance the vast possible initiative: decent work, defined as standards and rights at work employment creation and enterprise development social protection and labour market governance and social dialogue provided assistance for specific innovative projects, worked out by individual country labour ministries, in consultation with employee and employer groups. These mechanisms include country ratification of ILO conventions, national government promulgation and enforcement of labour laws, global enforcement of labour standards, and corporate self-regulation through codes of conduct (ILO, 2005).

Finally, ILO theory focuses on International labour rights, through bilateral agreement and monitoring. The ILO\(^\text{20}\) is universally recognised as the focal organisation where

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an agreement on labour standards and labour rights can be reached, because of its mandate, its unique tripartite structure (involving global representation of trade unions, employers, and governments), and its broad membership. It performs an important role in ensuring that labour law is applied equally to all employers and workers (ILO, 2005). Consequently, all ILO members’ countries are obliged to respect labour standards and should include those labour standards in their national laws and policy. Furthermore, it also provides the only functioning supervisory mechanism, and is central to the international legal arrangements for labour standards. The ILO supervisory system is based on two types of procedures - a regular procedure and informal procedures. The basis of the ILO’s supervisory system is described in its Constitution (Cesare, 1996). The ILO supervisory system is that, rather than settling formal disputes, it uses regular supervision to help avoid disputes altogether and to enhance overall compliance. The ILO supervisory system is a cohesive structure that employs a wide array of measures, all designed to persistently pressure States to comply with their obligations. The various measures are interrelated and are integrated into the work of the ILO as a whole. It is widely agreed that the resulting Labour monitoring, carried out by the International Labour Organization (ILO), a United Nations agency, has created a number of beneficial changes in Cambodia’s factories (Marston, 2007). The lessons from Cambodia and similar countries would be useful in appreciating effective role of the stakeholders (ILO, 2001).

4.2 Conclusion

The RMG Industry has more potential than any other sector to contribute to the reduction of poverty. Despite its impressive success, poor working conditions, the lack of labour rights, the disallowance of trade union activities and the ignoring fair labour practices led to labour unrest in May 2006. As a result, there is a rising concern in Bangladesh that the readymade garments sector may face a decline in demand. In fact, most of the RMG factory do not practice HR and IR issues and have no well-defined HR or PM unit. As a result, workers’ rights are minimal.

all forms of forced or compulsory labour; the effective abolition of child labour; and the elimination of discrimination in respect of employment and occupation (ILO, 2000).
In Bangladesh research and policy, attention to labour relations in the private sector, particularly in the RMG sector, is limited; most policy is focussed on public sector workers (Mondal, 2002; Khan 2001; Mahmud, 2009). The development of informal labour relations within a formal production process is unique to the export garments manufacturing sector and causes barriers to workers in realizing their rightful demands. Considering the importance of labour rights and labour standards for remaining competitive, RMG factories should practice Fair Labour according to the rules covered by the WTO conventions and ILO labour standards and by national labour legislations.

To conclude the research, working conditions may improve with the establishment of HRM units or Personnel Management units in each industry and fair labour practices applying the theories and principles of Human Resource Management, Industrial Relations, Stakeholder Theory, Socio-Political HRM Practices, Legitimacy Theory, Trade Union Concepts, Natural Rights Concepts, Citizen Right Concepts and the ILO Monitoring Approach. In consequences, the ILO monitoring system can play an important role in the improvement of working conditions in the RMG industry of Bangladesh. Because the ILO has a supervisory system that is active and effective, dispute settlement procedures in multilateral environmental agreements have never been invoked. In addition, Bangladesh can share knowledge and experiences from Better Factories Program in Cambodia.

The theories and lessons mentioned above and the best practices learned from different countries will be strategically applied with comparative advantages for handling different situations. In particular, according to the literature review, several researches suggested that improving working conditions are both diverse and disparate. This led to the combination research approach. For the above situation that prevails in Bangladesh, different alternative approaches to tackle the problems may be needed.

We are also concerned here to consider what these tendencies suggest and identify inadequacies in existing theory.
4.3 Research Approach

Social compliance may be compromised by current HR and IR practices. An approach that pays attention to labour rights, global labour standards, fair labour practices, safety workplace as well as decent work in improving working conditions is needed. Further the Fair Labour Act, the Factory Act, the Occupational Heath and Safety Act, Core Labour Standards, Code of Conduct, the ILO and the WTO Conventions are all contribute to a better work environment. In addition, human rights, threats and some treaties and bilateral agreements are also a part of Social compliance. Moreover, the ILO supervisory and monitoring system and Better Factory Program in Cambodia and its success could be used as a role model. In consequence, the ILO along with other stakeholders and institutions will play an important role in monitoring establishment of Social compliance. Therefore, we proposed an effective monitoring and surveillance system with the assistance of ILO and other stakeholder.

4.1.1 Monitoring and Surveillance for Social compliance

Monitoring is the regular observation and recording of activities taking place in a project or program and supervising activities in progress to ensure they are on-course and on schedule in meeting the objectives and performance targets (Hellawell, 1991).

There are some basic requirements for successful monitoring:

- Build simple, user-friendly monitoring systems into everyday activities, collecting data at the most natural point such as BGMEA, GoB website and Newspaper, NGOs publications or Report, Journals and other source.

- Prepare a guideline in consultation with representative of government, Trade union, BGMEA and other stakeholder members. Make sure that everyone responsible for monitoring has clear and consistent guidelines.
• Establish an effective data bank for widely circulation of information. Make sure that monitoring records are completed fully and accurately. The monitoring cell will collect data and verify data in accord to data bank.

• Collect information and explain why they are doing it? The compliance cell will make inquiries based on data and prepare a monitoring report.

• Give people collecting the information feedback on the results of their monitoring, and how it is being used to make the management on more effective. The surveillance section will evaluate the report and take initiative for effective role.

Monitoring in the RMG sector will involve the regular collection of data, measurement and analysis of working conditions, an assessment of labour disputes and health and safety issues in relation to labour rights and ILO standards. As such, collected information should be carefully recorded on data sheets, logs, building maps, for future comparison or reference (Bartle, 2007). Therefore, monitoring concept is undertaken to determine whether management actions are effective or inefficient.

Conversely, surveillance is the systematic ongoing collection, collation and analysis of data and the timely dissemination of information to those who need to know so that action can be taken. Surveillance systems are employed to monitor and report on changes or notable instances within a given field. It involves investigation and assessing fair labour practices with respect national legislation and fair terms and condition, and measure of management. Generally, surveillance systems are regularly set up to monitor workers rights, labour standards, decent work and health and safety issues in organisation or manufactures industries (Alo, 2009). It refers to observation of individuals or groups by government organizations, but compliance surveillance is to initiate investigative or control measure for detecting problems and monitoring the progress of working conditions in organization or manufactures industries.

Consequently, the government can form a monitoring and surveillance team in association with RMG owners, Trade Unions, Government representatives, Civic society, NGOs representatives, international organizations’ representatives and other
stakeholder representatives. The surveillance team will investigate based on monitoring cell information whether the RMG industry exercises labour standards and fair labour practices or not. They will also provide a report with recommendation so that the compliance cell can take action against those industries that are violating labour rights and which do not have fair labour practices. Then the government can take action against those factories that have been identified.

Empirical evidence shows that successful national policies are supported by an effective surveillance and evaluation system. Surveillance is very useful to governments as well as private organisations to maintain labour standards. Therefore, it is important to have an effective and sustained surveillance system to monitor Social compliance in the RMG sector.

4.4 Conclusion

Monitoring, in the sense used here, is distinct from surveillance, which is repeated survey using a standard methodology undertaken to provide a series of observations over time. Surveillance can yield valuable information on working conditions, labour rights and labour standard but does not by itself establish whether objectives or standards have been met. Surveillance and monitoring involve measurable indicators to assess progress toward achieving those objectives. That is why we applied a model monitoring and surveillance concept for establishing of Social compliance in the RMG industry of Bangladesh.

4.4.1 The Model of Research Approach

Working conditions in the Bangladesh RMG sector are unsatisfactory and do not meet ILO standards. Most of the RMG industries do not includes Human Resources (HR) and Industrial Relations (IR) activities, ignore labour rights and labour standards, and discard fair labour practices. As a result, workers’ rights are minimal in the RMG sector. An absence of an appropriate mechanism that ensures the enforceability of the available laws for protecting workers’ rights and maintaining workplace safety regulations in the workplace are also a growing concern in the RMG sector.
Usually labour rights and labour standards are protected by HR and IR practices, which depend on government regulations and infrastructure. In order to address the HR and IR issues, the government should update regulations, making new policy and adopting labour standards and labour rights, fair labour practices, appropriate building codes, health and safety standards as well as enforcing existing law and establishing HRM or PM units in each RMG factory. Treaties and bilateral trade agreements can play a key role by focusing attention on labour issues and encouraging continuing reform. In addition, entrepreneurs, trade unions, the ILO and the WTO, other international and multinational organisations have an interest on government initiatives to monitor working conditions and implementation of decent work. Therefore, we proposed an effective monitoring surveillance system (EMSS) and implementing labour rights with the collaboration of government, garments entrepreneurs, international agencies and other stakeholders.

The Model of Effective Monitoring and Surveillance System (EMSS)
The ILO and Bangladesh Government along with other stakeholders and institutions will play important role in effective monitoring system for improving Social compliance in the RMG sector through EMSS approach.

The Effective Monitoring and Surveillance System (EMSS) model proposed in this research uses Tools of Social compliance, which link labour rights and labour standards and fair labour practices. The Social compliance tools will verify working conditions labour rights and labour standards, fair labour practices according to the ILO and the WTO Conventions and the Factory Act. In addition, it can compare and contrast working conditions in Bangladesh with some other example countries.
This research is complicated because it contains many factors such as working conditions, HR and IR issues, occupational, health and safety issues, Codes of Conduct, labour rights and labour standards, ethical considerations, bilateral agreements and treaties, threats, stakeholder’s role, government mechanisms, the ILO Conventions, WTO rules and obligations and national government policy. The model adopted from the ILO monitoring system applied in the Cambodian manufacturing industry. Because the socio-political context and working atmosphere are different, we develop a modified model appropriate to the Bangladesh environment.
4.5 Discussion results and conclusions

This research examines and evaluates Social compliance in the RMG industry in Bangladesh in a global context. This section investigates lapses in establishing International Labour Standards or Social compliance in the RMG industry. In addition pressures from the international community through bilateral treaties and agreements and threats from buyers and other stakeholders, encourage improvements in workers’ rights. The aim of the section is to explore prevailing national laws, which protect various categories of workers rights in the manufacturing sector and the way these laws are applied in the RMG industry in Bangladesh.

For this purpose, five ways of addressing Social compliance have been adopted,


- b) Labour standards according to the ILO Convention

- c) Code of Conduct

- d) and the Fair Labour Act according to the WTO Conventions and Bilateral treaties and Agreements

- e) compare and contrast working conditions between the Cambodia and Bangladesh garments industries.

The discussion shows that the working conditions in the RMG sector are substandard according to the ILO labour standards. Although the garments sector is formal, recruitment processes are highly informal compared with Western practice. With no formal appointment letter, workers are vulnerable to job loss. Moreover, late payments, excessive work, forced labour, child labour, and physical abuse are common. There is no leave, benefits and compensation. Furthermore, management routinely ignores Health and Safety regulations. As a result, workers suffer from
various diseases, a number of workers are injured and killed due to notorious fires, and faulty buildings collapse. These have led to labour unrest.

As the discussion has shown, most of the garments industry has no well-defined human resources or personnel management functions but, where these are present, human resource or personnel managers play an important role in the industry. In the RMG sector, workers are controlled by a work supervisor who works on behalf of the factory owner. Nevertheless, the typical work supervisor has no training in leadership, human resource policies, law and legislation, and health and safety policies. The human resources or personnel managers are adequately qualified and handle the issues professionally and efficiently. Therefore, the research suggests that the RMG sector would benefit by the introduction of modern Human Resources (HR) and Industrial Relations (IR) activities through the establishment of Human Resource Management (HRM) or personnel management functions unit in the industry.

The research reveals that existing labour law is ineffective, particularly in the RMG sector. Although there is a viable labour administration system which is responsible for all aspects of national labour policy formulation and implementation, and legislation, which may provide benefits and rights to workers, in reality governments fail to enforce these labour laws.

This research recognizes that success depends on good management and good relations with stakeholders. To sustain the RMG sector, a good relationship with all the stakeholders is a prerequisite. In consequence, a good manager can make an important contribution in the RMG industry. He is likely to make major decisions for the organization considering the impact on each of the stakeholders like buyers, suppliers, employees, trade unions and government. For example, Robert Owen who managed several mills in Scotland was concerned about the evils and inhumanity and the process of industrialisation, and advocated human rights. In consequence, Owen made all possible efforts to win the confidence of workers by improving working conditions and extending several facilities, because of which he was able to achieve a better productivity rate among his employees (Rao and Rao, 1998).
The research discusses the dissatisfaction of RMG workers and addresses organizations' dynamic functions. It also considers employee’s attitude as well as manager’s personal characteristics, management quality, and the nature of the work itself. The research suggests job enrichment by providing training, job security, and flexible working hours and the introduction of technology, flexible benefits and rewards can improve job satisfaction. The application of a training program for human resource managers and trade union leaders regarding labour rights and working conditions has improved skills and job satisfaction in Cambodia in the Better Factories program (Polaski, 2006).

This research identifies a communication gap between employees and employers. As there is no HR or PM unit and an absence of trade union in the RMG factories, there is no way to lodge complaints regarding wages, health and safety and other issues. The communication gap leads to conflicts, dissatisfaction and labour unrest in the RMG sector. This research suggests adoption of a sound strategic policy to improve the communication gap between employers and employees.

The research concedes that there is an absence of consultation even though it is important process to resolve dispute issues. The garments industry owners and workers are hostile to each other. As a result, labour unrest is common in RMG sector. The Cambodian Arbitration Council and the Japanese Federation of Employers’ Associations play the key role on behalf of employers in industrial relations (Kelly, 1995) to resolve disputes in workplace fairness with honesty (Kelly, 1995). In this manner the government along with the international community, NGOs, stakeholders and other agencies can provide a framework for effective consultation. With the agreement of all parties, they could initiate the formation of an arbitration facility in disputes without the workers resorting to violence.

Generally, the role of ensuring workers’ welfare falls to the trade unions, but, if the trade unions are not considered as a legitimate workers’ body for collective bargaining, it is likely to be difficult to maintain peaceful industrial relations. In fact, most of the private garment industries in Bangladesh have no trade union and trade unions expressly banned in the Export Processing Zones (EPZs). For example the Cambodian government, factory associations, labour unions and international
institutions have all played an important role in improving wage rates and labour conditions in Cambodia in recent years. In another case, an Indonesian trade union played an active role in a labour dispute with a hotel owner. So trade or labour unions cannot be ignored and play a dynamic role in the organization. Therefore, research suggests that the rights of the workers, including their rights to organize, is an integral part of healthy industrial relations and governments should set the framework for labour relations through legislation and regulation.

The research suggests addressing IR activities in the RMG sector of Bangladesh as industrial relations involves the rules governing workplace relations and the institutions established to govern and enforce these rules through HR and the formulation of processes such as negotiation, conciliation, arbitration, collective bargaining, individual bargaining. It also suggests that monitoring and enforcement are required through institutions such as trade unions, employer associations, industrial tribunals, state-sponsored regulatory bodies and the civil courts (Gospel and Palmer, 1992).

The research also shows that the RMG sector’s future stability depends on buyer satisfaction and meeting stakeholder demands. In the RMG sector in Bangladesh workers’ rights are grossly violated as a result international buyers put pressure on RMG owners to ensure compliance with a Code of Conduct before placing any import order. Compliance issues are fundamental to the workers’ interests but at the same time are costly to implement. Within the RMG sector, multi-stakeholder dialogues are needed, which involve buyers, suppliers, trade unions and government representatives, in all trade related issues, to discuss measures that ensure fair trade in RMG products as well as Decent work.

The research demonstrates that there is a problem in establishing Social compliance. Social compliance in RMG factories is a key requirement for most of the worldwide reputable garments buyers, which ensures labour rights, labour standards, fair labour practices and Code of Conduct according to the ILO and WTO conventions. Although the Bangladesh government formed a Social Compliance Forum (SCF) along with a Compliance Monitoring Cell (CMC) to encourage compliance in the RMG sector it is limited. In addition, BGMEA has also formed a safety cell to address safety fire-
related emergencies. But both these two agencies are facing difficulties. This research identifies the need to improve the capacity of the institutions concerned with Social compliance.

Although Bangladesh was able to solve the problem of child labour very successfully in the mid-1990s, it has not been entirely successful in preventing former child workers being involved in hazardous employment, trafficking and street hustling. Some researchers have proposed enhancing literacy in children in order to keep the workplace free from child labour.

There is a lack of information as regards the compliance standards in RMG factories in Bangladesh. Recently BGMEA and BKMEA have initiated the development of a database on the compliance of RMG units (World Bank, 2006). But this database does not contain adequate and correct information and is not updated regularly.

The research addresses fair labour practices and is a prerequisite for global business and it could be measured by the ILO conventions and WTO mechanisms. To what extent workers’ rights are addressed in any country, is an important determinant of competitiveness, as consumers often decline products produced by violating these rights. If Bangladesh wishes to access their RMG products in global markets, RMG factories should address labour rights according to the ILO labour standards and to the national labour laws. However, Bangladesh is committed to secure labour rights for the well-being of labours by virtue of ILO membership.

It has been observed that a lack of government interest and an inadequate interest of policy makers, an absence of role of stakeholder and government’s rigid structure hinder the progression of labour rights in the RMG sector. With the pressure of international community and bilateral treaty has stimulated some countries to adopt some progressive labour code and enforced the law in the workplace. Vietnam, Thailand and Indonesia are the best examples in improving working conditions.

The research emphasis that NGOs can play a crucial role in increasing transparency in the system, putting pressure on non-compliant governments and providing specialist knowledge and support. In addition, civil society groups are in an ideal position to put
pressure on governments to uphold their human rights commitments, and monitor any progress in this field. For example, a Columbia Broadcast System (CBS) television documentary identified child labour in a Nike and Adidas ball manufacturing company in Sialkot, Pakistan in 1995. As a result, U.S Government officials and the industry agreed in 1997 to eliminate child labour by moving production out of the households to soccer ball factories (Hyde, 2009). In the RMG sector, workers’ rights are grossly violated. The issues could be drawn to the attention of the international community and buyers through the media, NGOs, and civil society. Therefore, NGOs, civil society and other stakeholder can work in synergy in their attempt to push decent work in the RMG.

It has also noted that threat and pressure through international community and buyers developed positive results. For example, the US Government threatened to withdraw GSP facilities due to absence of full-fledged trade unions. Non-compliant factories may be brought under temporary ban on issuance of a Generalised System of Preference (GSP) by the authority concerned, so that they cannot enjoy tax exemption in exporting countries. This threat could be done through a stakeholder group (international buyer) and withdrawal of GSP facilities from RMG sector.

Several issues are discussed on trade agreement or bilateral agreement as precondition for the improvement of working conditions. Because Treaties and bilateral or other trade agreements create legally binding commitments if they are part of national law or country’s constitution and thus help in forming the legal framework with respect to core labour standards. The North American Free Trade Agreement (NAFTA), for example, has a side agreement committing the three signatories (the United States, Canada, and Mexico) to effectively enforce their domestic laws relating to core labour standards. The United States-Jordan Free Trade Agreement also includes enforceable commitments on core labour standards. The US-Cambodia trade agreement produced a labour standards compliance program called Better Factories Cambodia. This unique bilateral trade agreement used trade incentives for enforcing labour standards, and it relied on the ILO to serve as the monitoring body. The research recognizes the importance of treaties or bilateral agreements and ILO’s role for monitoring Social compliance.
In a significant Nike case suggested that working conditions and labour rights can be improved through a systematic approach and a comprehensive and transparent monitoring system. External pressure from NGOs and other advocacy groups motivated Nike to introduce a Code of Conduct and a monitoring system.

It is possible to identify some countries with best fair labour practices and these are discussed in more details in case study. El Salvador had a notable success with the maquila apparel sector by virtue of U.S.-Central America-Dominican Republic Free Trade Agreement (CAFTA-DR) that was implemented between El Salvador and the United States. Trade benefits, CAFTA-DR also provides trade capacity building, particularly in the environment and labour areas, and a framework for additional reforms on issues such as intellectual property rights, dispute resolution, and customs that will improve El Salvador’s investment climate. As result of this El Salvador is the eighth largest exporter worldwide of apparel to the United States of America. International pressure on specific firms has contributed to improve working conditions in the case of Mandarin International, which provides a concrete model to extend independent monitoring to other countries and industries.

Similarly, international pressure played a significant role in encouraging laws to improve working conditions in Indonesia. The U.S. and the E.U criticised Indonesia for violating labour standards. As a result, the Government ratified all of the core ILO conventions in 1998 and 1999. Indonesia’s labour law has been described as one of the most labour friendly in South-East Asia.

Vietnam also improved its system to protect workers rights, working closely with the International Labour Organization (ILO) and the United Nations Development Program (UNDP) since the early 1990’s. The Government adopted a progressive Labour Code and gradually ratified the ILO Core Conventions (improved collective bargaining, strike and dispute settlement procedures expanded the scope of the labour law and augmented social safety nets) to meet a number of international standards, particularly with respect to conditions of work. It continues to improve both the law and its implementation.
An agreement has been established between the employer and employee which produced good labour standards as well as a congenial environment in the work place in Thailand. A series of laws and regulations in relation to employment such as working hours, remuneration, child labour, female labour, sick and maternity leave, dismissal or termination, welfare and social security of employees, and hiring of employee’s services has been codified in employment law in Thailand.

As a signatory to the ILO Conventions, the Japanese Constitution also guarantees fundamental labour standards. Japanese labour law is established within this constitutional framework. It is recognised by acts, ordinances, collective agreements and work rules. Labour laws recognize the right to organize and bargain collectively. The Ministry of Labour, has full jurisdiction over the administration of Occupational Health and within the ministry of labour and the OHS Legislation stipulates that among other things, the minimum standards for measures to be taken by employers, as well as outlining the level of supervision and guidance that should be given by labour standards inspectors.

Australian working conditions are of a high standard. Working conditions in Australia regulates by legislation and industrial awards. Awards are the legal decisions made by independent industrial organizations and they specify the minimum standards of pay and working conditions that an employer must meet or otherwise face legal penalties. Australian industrial relations are characterized high union membership numbers and a federally driven, but state controlled, mandatory arbitration and conciliation system. Recently Australia set up the Fair Work Act, which provides the opportunity to improve minimum labour standards and labour rights enforcement. Of course there is no comparison between Australia and Bangladesh and this example is included solely to indicate how far country standards in Bangladesh have to improve.

Finally, the research discusses international labour rights and labour standards, through bilateral agreements and monitoring, the ratification of ILO conventions. The ILO Declaration on Fundamental Principles and Rights at Work contains a social clause, which sets minimum labour standards. The ILO is the only tripartite United

21 Australia a judgment made by an industrial commission or a similar body in settlement of a dispute between employees and employers
Nations agency. It brings together representatives of government, employers and workers jointly to shape policies and programs. An example is Vietnam started Better Work, which was developed by the joint ILO-IFC Better Work global program. In Morocco, the Decent Work Pilot Program started in the Textile and Clothing industry. Similar programs are being implemented, with the support of the ILO, in the Philippines, Madagascar, Haiti and Romania. Sri Lanka launched the Factory Improvement Program to encourage compliance with international labour standards. Consultation with stakeholders and other social partners, Turkey developed a training project with the support of ILO to improve labour standards as well as to improve productivity (ILO, 2005).

The ILO’s authority stems from its position as the definer and enforcer of core labour standards. It also provides the only functioning supervisory mechanism, and is central to the international legal arrangements for labour standards. The ILO supervisory system is that, rather than settling formal disputes, it uses regular supervision to help avoid disputes altogether and to enhance overall compliance. The research shows that the ILO monitoring and supervisory system has resulted in improvements in Cambodia’s factories and working conditions where most of the factories pay workers a minimum wage, provide paid leave each year and ensure no child labour. Labour welfare and occupational health and safety issues have also been improved (Polaski, 2006).
Chapter 5

5.0 Analysis and Discussion

This chapter represents an overview of working conditions in the Bangladesh RMG sector, and contrasts and compares labour standards with ILO labour standards and Western fair labour practices. It also identifies the impediments to establish Social compliance in the RMG sector. Further, it discusses the roles of government, concerned agencies, RMG owners and other stakeholders in improving labour standards.

5.1 Working Conditions and Labour Standards

Working conditions refer to the working environment and to the non-pay aspects of an employee’s terms and conditions. These include permitted breaks, workplace temperatures such as heating, lighting, and proper ventilation system of workplaces, using the safety and comfort of machinery, vehicles, and other equipment, normal working levels, and disciplinary procedures. They also cover the organisations’ jobs and responsibilities; wages, working hours, compensation, benefits, forced labour, disputes, leave, social security, job satisfaction, the right to join in a union, training for skills development; health, safety and well-being; and working hour and work life balance.

In most cases, employers do not comply with any labour standard and ignore workers’ rights and fair labour practices. Usually workers’ rights build on labour standards. Labour standards include favourable working conditions, fair and equitable employment as well as decent work. Workers and their trade union demand decent and fair treatment, some employers, and the government support these aspirations.

A labour standard does not necessarily mean applying composite legal formulae to every situation; it can be as simple as ensuring basic rules of common sense and good governance. In the case of labour standards there are also internationally recognised human rights, such as those outlined in the Universal Declaration of Human Rights,
the inter-governmental processes of the UN system that ultimately provide this authority (Dfid, 2004). According to the ILO, labour standards defined as a national labour code or industrial relations act, which regulates employment conditions or the conduct of industrial relations (ILO, 2003). Labour standards vary internationally but reflect basic human rights at work.

At the international level, labour standards are found in international conventions and recommendations as to how people should be treated in their working environment. International labour standards set out in treaties such as ILO Conventions, are binding only on the states when ratified and subject to monitoring by an ILO Committee of Experts (Dfid, 2004). International labour standards are usually applied through national laws and policy. Nevertheless, individuals cannot enforce international treaty rights in national courts unless the treaty incorporated into national law through legislation.

At the national level, labour standards are usually set by laws and regulations. In some cases, they are based on collective agreements. National labour standards are usually in principle mandatory, with provisions for sanctions on employers in the case of non-observance. Mostly, binding rests only with the contracting parties - trade unions and employers, but in some countries, they acquire the force of law for the entire country (ILO, 2006).

5.1.1 Labour Standards and Working Conditions in the Bangladesh RMG Industry

This section examines the potential benefits of HR and IR practices and relates labour standards to the Factory Act, ILO labour standards and Western labour standards. It also examines national law as to whether it is effective or not.

Labour is the main potential resource required to operate a business. Without workers, employers cannot run their business but they must follow some rules and regulations that lead to the establishment of a labour standard. Standard employment contracts should include flexible working conditions, job enrichment, freedom of association, respect for workers’ rights, and the provision of compensation and other benefits are
the prerequisites of any business. However, in most cases, employers do not practice these fair labour principles, as result workers are not satisfied.

The contemporary economic strength and growth is a relatively new concept in labour law. There was no legislative regulation on the terms and conditions of employment of workers employed in shop, industrial or commercial establishment before the 20th century. The Industrial Employment (Standing Orders) Act, 1946 came into operation for the first time requiring employers in industrial establishments employing 100 or more workmen to define the terms of employment of workmen in the form of standing orders which should conform with the model standing orders incorporated in the Act. In 1960, the Industrial and Commercial Employment (Standing Orders) Ordinance, 1960 came into force replacing the Industrial Employment (Standing Orders) Act, 1946. This law itself was replaced in 1965 by the Employment of Labour (Standing Orders) Act, 1965 which provides for defining and determining conditions of service of workers, workers’ and employees’ rights versus the employer’s rights (Ahamed, 1996). Under this Act, misconduct of workers is defined, and the employer has a right to lay off, dismiss, discharge, retrench or terminate the services of workers. Employers can bring to an end the establishment in certain contingencies. The Act provides workers’ remedy against illegal dismissal or termination of employment, grievance procedure against any action of the employer. The Bangladesh Industrial Relations Ordinance of 1969 (Ordinance No. 23 of 1969) also provided for establishment of a Labour Appellate Tribunal for entertaining appeals against awards of labour courts on industrial disputes (Ahamed, 1996; ILO and BGMEA, 2003; ILO-NATLEX, 2005).

In Bangladesh, working conditions are often deplorable. Although the garments industry belongs to the formal sector, the recruitment procedure is largely informal.

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22 FormaL sector which encompasses all jobs with normal hours and regular wages, agreed levels of pay, and sometimes pensions and social security rights and are recognized as income sources on which income taxes must be paid. All Government and semi Government sector employment as well as Private sector employment with Institute of work or registered Business or enterprise that has regular employees greater than or equal 10 and follow minimum labour standard.

23 The informal sector that is neither taxed nor monitored by a government, and is not included in that government's Gross National Product (GNP), as opposed to a formal economy. The ILO/ICFTU international symposium on the informal sector in 1999 proposed that the informal sector workforce can be categorized into three broad groups: (a) owner-employers of micro enterprises, which employ a few paid workers, with or without apprentices; (b) own-account workers, who own and operate one-person business, who work alone or with the
compared to western practice. Most of the garments factories recruit workers at the factory gate. At the time of appointment, it is rare that the worker gets an appointment letter or contract. Management records workers personal information and mailing address. Workers are provided only an identity document (ID) or attendance card and are vulnerable to losing their job at any time (Majumder and Begum, 2000; Priyo, 2010). Although a distinction is made in the Employment of Labour Standing Orders Act (ELSOA) between different types of termination of employment, the employment relationship can be terminated but not at the initiative of the employer. In particular, by the expiry of a fixed-term contract, the worker’s resignation, or by the completion of the task for which the contract was conclude (secs. 2, 19, ELSOA). If a permanent worker desires to terminate his or her employment, he must be informed in writing to the employer one month’s notice in the case of monthly rates workers, and 14 days’ notice in the case of other workers (Majumder and Begum, 1999). The Bangladesh Employment of Labour (Standing Orders) Act, 1965 (as amended in 1985) (ELSOA), and the Industrial Relations Ordinance, 1969 (as amended in 1975) (IRO), regulate termination of employment in Bangladesh. The Employment of Labour (Standing Orders) Act, 1965 provided for a grievance procedure to redress individual grievances in respect of employment, conditions of work or infringement thereof (ILO and BGMEA, 2003; ILO-NATLEX, 2005). But in reality RMG workers are dismissed at any time without notice. It is unlawful to terminate a person's employment without providing at least the minimum period of notice, or payment in lieu of such notice (Podger, 2004). The sudden termination of an employment relationship is likely to be a pathetic and miserable experience for a worker and the loss of income impacts on his or her family (Priyo, 2010). Moreover compared to other employment sector in Bangladesh, job insecurity is higher in the readymade garments industry. To avoid uncertainty for both parties, it would be helpful when recruiting to specify the period of employment, the job responsibility, termination date, and wages, working hours, compensation and other benefits (Podger, 2004). In contrast with Australia working conditions, the Workplace Relations Act of Australia contains provisions protecting employees from losing their job unfairly through unlawful termination (Source: Commonwealth of Australia, 2010).

(help of unpaid workers, generally family members and apprentices; and (c) dependent workers, paid or unpaid, including wage workers in micro enterprises, unpaid family workers, apprentices, contract labour, home workers and paid domestic workers.)
Excessive working hours is one of the most common labour standards problems in Bangladesh. Under the Establishments Act, 1951 and the Factories Act, 1965 Act working hours in shops or commercial or industrial establishments or establishments for public entertainment or amusement are limited to nine per day and fifty-one per week (Khan, 1995). The Factories Act however stipulates that no women should be allowed to work in a factory except between 6 am and 7 pm. The government is empowered in respect of any class or classes of factories to vary these limits to any span of 13 hours between 5 am and 7-30 pm. Overtime up to one hundred and twenty hours in a year is permissible, payment is to be made at double the ordinary rates (ILO and BGMEA, 2003; ILO-NATLEX, 2005). As for the workday, an employee may work a maximum of 9 hours a day and 6 days per week. No worker is to work for more than five hours in a day without a rest interval. The periods of work along with rest intervals cannot spread over more than ten and a half hours in perennial factories and eleven and a half hours in seasonal factories. The act also provides for leave and holidays with pay each week (ILO and BGMEA, 2003; ILO-NATLEX, 2005).

However, not a single factory practices minimum working hours, which satisfy this law. RMG workers are allegedly forced to work 14 to 16 hours a day and seven days in a week and a few of them have a six-day working week (Absar, 2001). The workers have only two days leave for festivals. In general, if any factory provides extra leave or days off due to a government holiday the workers have to work all weekend to make up for those days leave. Nevertheless, the workers do not receive any benefit if they don’t use their mandated leave (Priyo, 2010).

The conditions are even harder in the sweater and knitwear components because seasonal demands make for insecurity of employment. Long working hours without a break, in practice, leads to compulsory overtime; piece rated work leads to uncertainty as to how much each worker will receive, since the rates are not fixed until the completion of the consignment (Shikder, 2002; Maitra, 2008). The workers have no choice, so they are compelled to take up these oppressive conditions. Long working hours without any opportunity for relaxation is, in fact the most important reason for adverse health impact of women’s wage employment. Health insecurity arises from violation of another labour law, which provides for a weekly holiday and leave facilities. According to the Factory Act 1965, a worker being employed for 12 months is entitled to annual leave, casual leave, sick and medical leave, festival leave and
maternity leave with pay (ILO and BGMEA, 2003; ILO-NATLEX, 2005). Women are entitled to leave during pregnancy period. A law dating from 1939, which officially is still in force, contains details regarding women workers’ maternity benefits. They are entitled to 6 weeks’ leave before delivery and to another six weeks’ leave after the delivery of a baby. During this period, the woman is also entitled to her regular wage, if she was employed in the given factory for at least 9 months. Garments employers are reluctant to provide maternity leave and maternity allowances and mostly prefer unmarried, widowed, separated, or abandoned females. They believe that married women go on leave frequently due to childbirth, childcare, or household chores. Pregnant women are worried about loosing their jobs and hide their pregnancy, as they do not know the legal provisions of their employment contract. The factory owners dismiss a woman worker if they discover that she is pregnant or if she applies for maternity leave (Hossain, 1990; Kibria, 1995; Majumder, 1997; Kabeer, 2004). As a matter of fact, garments manufacturing factories in Bangladesh frequently violate the labour laws of 1965 by not providing an appointment letter, and in the areas of working hours and breaks, leave, minimum wages and fringe benefits (Begum, 2001). Below the case in Bangladesh is compared with Thailand, which has codified employment laws, regulated by the Department of Labour, Protection and Welfare, stipulate working conditions such as maximum work hours, holidays, sick leave, minimum wage and severance pay (Case study 4).

Forced labour is any work or services which people are forced to do against their will under the threat of some form punishment. Forced labour was accepted in many countries as the natural order of economic and social relationships, and governments kept detailed records of slaves and their treatment before the twentieth century (Bales, 2002). However, in the 1900s, forced labour was generally criminalized and, as a result, it went underground. Now its hidden nature makes it difficult to identify and quantify. Forced labour appears in many places, but is sometimes not considered a crime. For example in India, bonded workers have no freedom to walk away, they are not paid for their work, are often referred to as attached workers, this euphemism hiding their forced labour status (Bales, 2002). The elimination of one form of forced labour, slavery was the first human rights issue to causes wide international concern (PGA, 2004). The 1926 Convention’s definition of slavery was broadened to include forced or compulsory labour in 1930 in the ILO Convention (No. 29) concerning
Forced or Compulsory Labour (article 2.1): *...all work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily* (ILO and BGMEA, 2003; ILO-NATLEX, 2005).

Forced labour is common in Bangladesh especially in the RMG sector. Workers are often given a quota to fulfill. In the case of workers unable to fulfill their quota during work hours, they have to stay behind and work without pay. Regular two hours overtime is compulsory, and if any one refuses to work him or she is dismissed, terminated, has wages deducted or receives verbal harassment, sometimes escalating into physical punishment. Furthermore, the factory management rarely informs workers in advance if they have overtime; it is only announced at the end of the working day (Priyo, 2010). Workers don’t receive any notice of overtime. In some of the factories, workers are forced to do night shift duty, up to 12 to 3am and then start the next shift at 7am. In many factories, the factory gates are locked to enforce overtime (Majumder, 1998). National law prohibits forced or bonded labour and child labour, and the Factories Act, and Shops and Establishments Act provide for inspection mechanisms to strengthen laws against forced labour (Begum, 2001). Nevertheless, in the RMG sector forced labour is continues. Workers’ organizations regularly report numerous abuses (Alston, 2005).

Forced labour constitutes the antithesis to decent work and violates all core labour standards. Forced labour is the subject of widely ratified international instruments within the private sector, many codes, agreements and initiatives refer to the ILO’s 1998 Declaration of Fundamental Principles and Rights at Work. Although Bangladesh ratified, in 1972, both the ILO Convention No. 29 (1930), the Forced Labour Convention and ILO Convention No. 105 (1957), the Abolition of Forced Labour Convention, it is still quite common in the RMG sector (Alston, 2005). The Committee of Experts noted allegations presented by the World Confederation of Labour in its report 1998 relating to abuses in the Bangladesh garments industry regarding forced overtime, payment of wages, sub-standard work conditions as well as persistent discriminatory practices, but dispelled others and asked the Government to provide detailed comments on these allegations. Alternatively, in Jordan, a report of the National Labour Committee (NLC), alleged that a combination of prevailing recruitment practices and working conditions in the Qualified Industrial Zones (QIZs) such as forced overtime, indecent wages, amounted to trafficking, discrimination drew
widespread attention. In conjunction with the publication of this report, the Jordan Government made an action plan to improve labour administration and working conditions. Following that, the Government in collaboration with the ILO and other partners has taken progressive steps to better translate into domestic legislation its political commitment to combat human trafficking and forced labour (Wael, 2010). On the other hand, in India, major national trade unions and social activists held a national consultation on forced labour, the ILO Declaration and reporting mechanisms. They decided to form a permanent consultative body to collaborate in efforts for the elimination of forced labour and debt bondage in India and resolved to form trade unions in sectors where bonded labourers existed. A few years ago in Nepal, forced child labour was widespread in the carpet-making industry only, the Ministry of Agrarian Reform and Territorial Development has set up a national high-level team which has already succeeded in freeing a considerable number of children from the debt bondage system (Alston, 2005). In Australia, the law does not explicitly prohibit forced or compulsory labour, including by children. The Australian Council of Trade Unions (ACTU) is monitoring the law (Case study 6). Therefore, an effective monitoring and verification system is necessary to keep workplaces particularly in the RMG sector. In consequence, the government should take effective initiatives with assistance garments manufactures, international agencies and other stakeholders work in synergy under the supervision of effective and extensive monitoring surveillance system program.

Wage is compensation, usually financial, received by workers in exchange for their labour. Workers in the Bangladesh RMG sector often work long hours for unusually low pay, regardless of laws mandating overtime pay or a minimum wage. The RMG wage level is one of the lowest in the world. Even by South Asian Standards, it remains very low with average hourly wage in Bangladesh being 42%, 50% and 33% at those in India, Nepal and Sri Lanka (BBS, 1999; Absar and Anand, 2001). In contrast with US apparel labour charge per hour (wage and fringe benefits) of US$ 16.00, the RMG worker receives a minimum wage of US$ 0.15 (Islam, 2001; Rahman, 2004; Chowdhury, 2006). The unit labour cost of $0.22 per hour is the lowest in Asia, behind Cambodia and Nepal (Stuart and Kirsten, 2010). See below the table
Table 9: Inter-country comparative average hourly wage in the RMG industry

<table>
<thead>
<tr>
<th>No.</th>
<th>Country</th>
<th>Wage/hour (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Germany</td>
<td>25.00</td>
</tr>
<tr>
<td>2.</td>
<td>USA</td>
<td>16.00</td>
</tr>
<tr>
<td>3.</td>
<td>Turkey</td>
<td>7.3</td>
</tr>
<tr>
<td>4.</td>
<td>South Korea</td>
<td>5.00</td>
</tr>
<tr>
<td>5.</td>
<td>Mexico</td>
<td>2.40</td>
</tr>
<tr>
<td>6.</td>
<td>Thailand</td>
<td>1.75</td>
</tr>
<tr>
<td>7.</td>
<td>Poland</td>
<td>1.40</td>
</tr>
<tr>
<td>8.</td>
<td>Vietnam</td>
<td>0.85</td>
</tr>
<tr>
<td>9.</td>
<td>China</td>
<td>0.5</td>
</tr>
<tr>
<td>10.</td>
<td>Sri Lanka</td>
<td>0.45</td>
</tr>
<tr>
<td>11.</td>
<td>Pakistan</td>
<td>0.41</td>
</tr>
<tr>
<td>12.</td>
<td>Indonesia</td>
<td>0.40</td>
</tr>
<tr>
<td>13.</td>
<td>India</td>
<td>0.35</td>
</tr>
<tr>
<td>14.</td>
<td>Cambodia</td>
<td>0.32</td>
</tr>
<tr>
<td>15.</td>
<td>Nepal</td>
<td>0.30</td>
</tr>
<tr>
<td>16.</td>
<td>Bangladesh</td>
<td>0.15</td>
</tr>
</tbody>
</table>


Table 9 illustrates that the wage level in the RMG industry is low compared to other garment producer countries, while Table 10 compares workers in a similar category in other sectors of the Bangladesh economy (Khandker, 2002). These low wages are caused by a lack of government interest, poor infrastructure, policy makers’ and stakeholders’ ineffective activities. The main reason for cheap labour is women. Earlier, women were mainly involved in domestic work and earned little. But the RMG industry has given them the opportunity to earn money. Initially the private entrepreneurs started the garment industry on a small scale and the role of the government was limited. As a result, the garment owners will able to fix salaries at a low level and did not provide good working conditions in spite of large profits. In Bangladesh, only about one quarter of the adult population is in the workforce. So there is a considerable supply of labour.
Table 10: Real wage Indices of Industrial Workers (all employees)

<table>
<thead>
<tr>
<th>BSIC 1986 code</th>
<th>Name of Industry</th>
<th>Indices (base 1986)</th>
</tr>
</thead>
<tbody>
<tr>
<td>311-312</td>
<td>Food manufacturing</td>
<td>133</td>
</tr>
<tr>
<td>313</td>
<td>Beverage industries</td>
<td>77</td>
</tr>
<tr>
<td>314</td>
<td>Tobacco manufacturing</td>
<td>71</td>
</tr>
<tr>
<td>315</td>
<td>Animal feed manufacturing</td>
<td>80</td>
</tr>
<tr>
<td>321-322</td>
<td>Textile manufacturing</td>
<td>112</td>
</tr>
<tr>
<td>323</td>
<td>Wearing apparel (except footwear)</td>
<td>86</td>
</tr>
<tr>
<td>324</td>
<td>Leather and leather products</td>
<td>96</td>
</tr>
<tr>
<td>325</td>
<td>Leather footwear (except rubber and plastic)</td>
<td>44</td>
</tr>
<tr>
<td>326</td>
<td>Ginning, pressing and baling of fibres</td>
<td>104</td>
</tr>
<tr>
<td>331</td>
<td>Wood and wood cork products</td>
<td>102</td>
</tr>
<tr>
<td>332</td>
<td>Wooden furniture and fixture manufacturing</td>
<td>50</td>
</tr>
<tr>
<td>341</td>
<td>Paper and paper products</td>
<td>107</td>
</tr>
<tr>
<td>342</td>
<td>Printing and publishing</td>
<td>124</td>
</tr>
<tr>
<td>351</td>
<td>Drugs and pharmaceuticals</td>
<td>102</td>
</tr>
<tr>
<td>352</td>
<td>Industrial chemicals</td>
<td>96</td>
</tr>
<tr>
<td>353</td>
<td>Others chemical products</td>
<td>96</td>
</tr>
<tr>
<td>354</td>
<td>Petroleum refining</td>
<td>174</td>
</tr>
<tr>
<td>355</td>
<td>Misc. petroleum, cool products</td>
<td>138</td>
</tr>
<tr>
<td>356</td>
<td>Rubber products</td>
<td>79</td>
</tr>
<tr>
<td>357</td>
<td>Plastic products NEC</td>
<td>119</td>
</tr>
<tr>
<td>361</td>
<td>Pottery, china and earthenware</td>
<td>128</td>
</tr>
<tr>
<td>362</td>
<td>Glass and glass products</td>
<td>115</td>
</tr>
<tr>
<td>369</td>
<td>Non-metallic mineral products</td>
<td>111</td>
</tr>
<tr>
<td>371</td>
<td>Iron and steel basic industries</td>
<td>73</td>
</tr>
<tr>
<td>372</td>
<td>Non-ferrous metal basic industries</td>
<td>81</td>
</tr>
<tr>
<td>381-382</td>
<td>Fabricated metal products</td>
<td>83</td>
</tr>
<tr>
<td>383</td>
<td>Non-electrical machinery</td>
<td>92</td>
</tr>
<tr>
<td>384</td>
<td>Electrical machinery</td>
<td>73</td>
</tr>
<tr>
<td>385</td>
<td>Transport equipment</td>
<td>86</td>
</tr>
<tr>
<td>386</td>
<td>Scientific measuring instruments and</td>
<td>155</td>
</tr>
<tr>
<td>387</td>
<td>Photographic and optical goods</td>
<td>85</td>
</tr>
<tr>
<td>393-394</td>
<td>Photographic and optical goods</td>
<td>89</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>All industries</strong></td>
<td><strong>112</strong></td>
</tr>
</tbody>
</table>

Source: C.M.I., BBS (Rashid M.A, 2006)

According to Rashid (2006), a comparison based on wage data provided by Bangladesh Bureau of Statistics shows that the average monthly wage of skilled RMG factory workers is 1.4 to 2 times lower than that of similar factory workers in the textile and other sectors.
The Payment of Wages Act, 1936 has continued in Pakistan and Bangladesh up to the present. A major amendment was made to the Act in 1980. The Act as amended sets minimum wages, in cases where there is no system of collective bargaining, through a board called the Minimum Wages Board, established under the Minimum Wages Ordinance (ILO and BGMEA, 2003; ILO-NATLEX, 2005). However, in practice there is no salary structure and wage commission for garments industry. On the other hand, the rate of overtime payment is not fixed in any garments factory. They are usually paid only half as much for overtime work as for normal hours, unless there are high profits from certain work orders, or high demands to fill new work orders (Kabeer, 2004; Shimu, 1999; Mondal, 2000). Although the government, garments owners and workers have decided on a salary structure, this has had limited application to date. Most of the factories pay the same low wages for the same job (Repon and Ahmed, 2006). Therefore, a moderate and standard wage should be fixed for the RMG sector. Many countries in the world have a commission for setting wages in the private sector. For example, in Japan, pay is determined according to the recommendation of an independent body formed by workers, employers, and public authorities, called the National Personnel Authority. Minimum wages are set but vary from region to region and from industry to industry (ICC, 2007). In El Salvador, a tripartite commission consisting of members of government, labour, and business fixes wages (Case study 1). In contrast, Australian wages are expected to continue rising faster than in most other western countries. A Minimum Wage Panel in Fair Work Australia (FWA) is responsible for setting minimum wages for employees in the national workplace relations system. Fair Work Australia is responsible for reviewing modern award minimum wages as well as making a national minimum wage order for award-free employees each year (FWO Factsheet-Australia, 2010; Maconachie, Glenda, Goodwin and Miles, 2009). In Cambodia, the government, factory association, the labour unions and international institutions have all played an important role in improving wage rates and labour conditions. As a result, the wage increased from US$27 to US$40 a month in 1997, to US$45 a month in 2000, and to US$58.8 in 2007 (Morshed, 2007). Consequently, the Bangladesh government can form a wage commission comprising government representatives, RMG owners, buyers, TU representatives and other stakeholder groups, to set a fresh minimum wage structure. In addition, the compliance cell should also monitor whether the wage paid complies with that set by the commission.
Discrimination in the workplace is illegal but the wage gap between genders and other groups is a persistent problem (ILO and BGMEA, 2003; ILO-NATLEX, 2005). Fair wages and equal remuneration for work of equal value without distinction of any kind, in particular women being guaranteed conditions of work not inferior to those enjoyed by men, with equal pay for equal work under the Universal Declaration of Human Rights, 1948, Article 23.2 (Source: Fact Sheet Australia, 2010). The ILO adopted two conventions that are now listed among the eight core Conventions, Convention No. 100 (1951) on equal remuneration and Convention No. 111 (1958) on non-discrimination in employment and occupation (ILO and BGMEA, 2003; ILO-NATLEX, 2005). Despite the fact that Bangladesh has ratified ILO Core Labour Conventions 100 and 111 and that the national law prohibits certain forms of discrimination based on gender, the enforcement of these legal instruments is very weak (ILO, 2004). Legal provisions demonstrate specific rules for employment such as women shall have equal rights with men in all spheres of the state and public life. The Act provides for the payment of equal remuneration to men and women workers and for the prevention of discrimination, on the ground of sex, against women in the matter of employment and for matters connected therewith or incidental thereto (Ali, 2003). In general, the level of wages in the RMG sector is low for both males and females. Low wages go a long way in illuminating the attractiveness of Bangladesh readymade garments to foreign buyers. Mostly abundant cheap labour and its low opportunity cost lead to low wage levels, providing a comparative advantage to female labour in particular operations in the RMG production sector. In the RMG sector female workers are considered low-skill workers (Kabeer, 1991).

Table 11: Gender differentials in Wages in Garment industry

<table>
<thead>
<tr>
<th>Categories of workers</th>
<th>Male wages Tk/pm</th>
<th>Female wages Tk/pm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operator</td>
<td>2,254</td>
<td>1,536</td>
</tr>
<tr>
<td>Cutting Master</td>
<td>3,935</td>
<td>-</td>
</tr>
<tr>
<td>Ironer</td>
<td>1,894</td>
<td>1,106</td>
</tr>
<tr>
<td>Sewing helper</td>
<td>1,200</td>
<td>762</td>
</tr>
<tr>
<td>Cutting helper</td>
<td>1,512</td>
<td>837</td>
</tr>
<tr>
<td>Finishing helper</td>
<td>1,209</td>
<td>1,023</td>
</tr>
<tr>
<td>Folder</td>
<td>1,528</td>
<td>1,157</td>
</tr>
</tbody>
</table>

Table 11 shows the differential in wages between female workers and their male counterparts in the garments sector.

Moreover, women are generally discriminated against in terms of access to higher-paid white colour and management positions. They are generally considered only for helpers, machinists, finishing helpers and sewing helpers frequently and as line supervisors and quality controllers. It is rare to find women working as cutting masters, production managers, supervisors, finishing and machine operators, or as in-charges who draw salaries varying from 2-10 times that of the average operator (Absar, 2001). Although Table 11 is 10 years old, the situation has changed little in the intervening period.

With respect to wages, gender discrimination is prohibited by Japanese law under the LSL (Art. 4). Female and male employees are subject to the same regulations in terms of overtime, night work and rest days (Case study 6). The government of Bangladesh must undertake an effective initiative to eliminate discrimination based on gender, particularly in the RMG sector where 90% of the workers are women (EPB, 2008).

Job satisfaction is an important element in modern industrial commercial organization, government, non-government and private sector as well as manufacturing industry. Job satisfaction, a worker’s sense of achievement and success, is directly linked to productivity as well as to personal wellbeing (Source: Harvard Professional Group, 1998). A satisfied worker is more likely to be creative, flexible, innovative and loyal. Unhappy employees are motivate by a fear of job loss, and will not give 100 percent of their effort for very long. Though fear is a powerful motivator, it is also a temporary one, and as soon as the threat is lifted, performance will decline. It has been a matter of growing interest for the individuals concerned with quality of working life and organization efficiency. Therefore, job satisfaction is a product of the events and conditions that people experience on their jobs. If a person’s work is interesting, pay is fair, promotional opportunities are good, his or her supervisor is supportive, and co-workers are friendly, then a situational approach leads one to predict worker is satisfied with their job (Brief, 2002). Job satisfaction benefits the organization includes reduction in complaints and grievances, absenteeism, turnover, and termination; as well as improved punctuality and worker
morale. Job satisfaction and occupational success are major factors in personal satisfaction, self-respect, self-esteem, and self-development (quoted in Brown, 1996: p.123). The level of wages is the most significant source of dissatisfaction for workers in the RMG industry. RMG owner often deny that they have the power to improve the wages or conditions of workers. Workers often try to complement their law wages by overtime, which in effect is mandatory practice in Bangladesh RMG factories. Moreover, overtime is a source of dissatisfaction for worker but not always for the same reason. Workers motivation for favouring overtime is financial, since substantial overtime of doubles rates means substantial additions to wages. Overtime payment represents an important, routinely expected compound of earnings, and workers add of this. Without full payment or being paid on time, worker often worry and are anxious about the future. This results in low work productivity and job dissatisfaction (ILO, 2005; Morshed, 2007).

In the RMG sector, workers never receive their payment regularly and late payment is common. Payments are delayed routinely by two or three months or more, sometimes held back deliberately to ensure that workers do not leave, or because employers themselves face delays in payment from buyers (Priyo, 2010). Irregular wage payment is a violation of the Labour Law, 1965 which provides that wages in a factory employing less than one thousand persons is to be paid within seven days after the expiry of the wage period (Kibria, 1995; Hossain, 1990; Kabeer, 1991; Majumder, 1998). While employers are no legally obliged to pay monthly wages on the same day each month, there is a legal limit to delays in payment, which many employers violate regularly in the RMG sector. Usually most of the factories do not provide any pay slip. The factories, which provide pay slips, don’t have transparency (Priyo, 2010). It is not uncommon for garments workers to be dismissed without payment following several months of devoted work (Absar and Kumar, 2006). Moreover, if any workers leave the job he would have to lose the overtime benefit and sometime wages of the last month (Priyo, 2010). In spite of the circulation of laws by the Government, the majority of garments workers remain deprived of any legal rights since the enforcement of these laws in small and medium enterprises is poor (ITUC, 2008). However, the government has the responsibility for implementing labour legislation and regulation and for establishing effective monitoring mechanisms. In an example Vietnam has in place an extremely progressive national Labour law and has adopted a
new labour code in 2002 which is designed to regulate working conditions and the government is trying to enforce these laws effectively (Nelson, Justice and Skuba, 2006; Case study 5).

There is also no mechanism for benefit sharing in RMG industry. There is no bonus payment system for workers as required in the labour laws nor do they have any provision for salary increases to reflect profitability and inflation. Profit sharing involves various incentive plans introduced by a company to provide direct or indirect payments to employees for improved profitability. Workers’ entitlement to the company’s profit was made compulsory by the Companies Profit Workers’ Participation Act, 1968 (Vitez, 2010). Those companies which employ 100 workers or which have a paid-up capital of five million fixed assets exceeding 10 million covered by this Act. Under the provision of this Act, as amended in 1985, two funds, namely the Participation Fund and the Welfare Fund created with the company’s contribution for the welfare of the workers (Vitez, 2010). But in reality garments worker are not entitled to any fringe benefits, including accommodation allowances, health care, emergency funds, or transportation (Muhammad, 2006). However, labour unions, government officials and experts tend to hold the view that such benefit sharing mechanisms are conspicuous by their absence in the garment industry. From this perspective, offering potential workers a profit share opportunity will create better outcomes, as RMG workers would be more willing to work for a company offering a share of the company’s profits (Vitez, 2010).

Garments worker often change their jobs because of wage arrears, lay-offs, irregular payment, excessive working hours, forced labour, ill health or harassment from bosses and their security guards (DWP, 2000). Moreover, the prospects of promotion in the RMG sector are rare. Frequently work causes disappointment, produces anxiety and low productivity (Krueger, 1989). Organizations can improve job satisfaction by introducing systems such as flexible work arrangements, training opportunities, safety work environment, job security or continuity; flexible benefits including childcare and exercise facilities, competitive salary and opportunities for promotion (Philip, 1995). In Australia, particularly in the private sector operates flexi-time, standard working

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24 (irrespective of his or her designation and functions, who draws salary less than taka 9000 per month is deemed a worker under the Act)
week, moderate wages, overtimes rates of either-time and-a-half or double time, offer compensation and others benefits and existing induction and training opportunities. In addition, OHS legislation ensures a safe working environment. Therefore, workers in Australia are more satisfied with their jobs compared to other western countries.

Alternatively, good management has the potential for creating high morale, high productivity, and a sense of purpose and meaning for the organization and its employees. The behaviour of the workers is greatly influenced by their treatment and by the behaviour of manager. The manager represents management to the workers.

Manager, who wants to maintain a maximum level of job satisfaction in the work force, must be concerned with the working environment and employee’s rights and benefits as well as their managerial actions. For example during the early 1800s in UK working and living conditions of worker were very poor. Child workers of five or six years of age were commonly employed. The standards day was thirteen hours long. At that time, Robert Owen was the manager of several cotton mills in Scotland. He became concerned about the evils and inhumanity; he monitored the industrialization of process. He felt that the living machine should be treated with kindness and supplied with sufficient quantities of necessities of life. He therefore, advocated devoting more attention to the human beings.

He built better houses for the workers, provided company stores where goods were made available cheaply, reduced the working days 10 ½ hours and refused to hire children below the age of ten years. Thus, Owen made all possible efforts to win the confidence of workers by improving working conditions and extending several facilities as result of which he was able to strike a better productivity rate among his employees (Rao and Rao, 1998).

Considering that job satisfaction consists of many factors and these vary from one worker to another and from day to day (Islam, 2000). Apart from the factors mentioned above, job satisfaction is also influenced by the employee’s personal characteristics, the manager’s personal characteristics and management style, and the nature of work. For example, when allocating work to any employee, managers must consider the employee’s backgrounds, work performance, experience, and knowledge on modern technology, flexi-time and other employees’ auspicious issues. A good manager always take care of his employees, evaluate their performance, provide benefits and rewards, and ensures a safe work environment. This research suggests
that HR practices in the RMG sector and the HR manager could play a key role in achieving employees’ satisfaction.

Job satisfaction, better productivity, employee efficiency and skill development depend on training. Training transfers’ knowledge, develops skills, change attitudes, and imparts a set of organizational and societal values. It also keeps employees up-to-date with new technology and current best practices, resulting in superior job performance (Richthofen, 2002). Training is another area where Bangladesh severely lags behind most of its competitors. Training facilities are not common in both public and private organization; few garment owners realize training will increase productivity. However, many organization arranged trainings on periodic basis but frequent trainings are necessary, as garment is business fiercely competitive and require skilled labour force (Source: National Research Council, 2003). The Cambodia garment manufacturers initiated factory based training program with the support of the US and ILO program has resulted in over 20% sustainable efficiency gains as well as higher job satisfaction and earnings (Gunsell and Yana, 2008). In response, the Bangladesh Garments Manufactures and Exporters Association undertook a training program in 1995 sponsored by ILO-UNDP. Only 20 percent of the trainees were females and the rest of the trainees are male (Richthofen, 2002). This training program is not yet widely implemented in the industry. The government also lacks trained officials to negotiate with international trade. Indeed labour productivity is essentially important in RMG sector stay behind technology developing day by day. Among the countries, Germany holds the highest position as benchmark of 100 productivity level whereas Bangladesh is in the lowest position and its labour productivity level is 20: other countries are as follows Cambodia, 25, Pakistan 30, India 40, Indonesia 50, Thailand 65, China 75, Mexico, 75 (Morshed, 2007).

Training is the single, most important tool in building a more efficient and effective organization through improved performance. Therefore, a comprehensive training strategy should be well organized and relevant to the organization’s needs.
5.1.2 Conclusion

Standard working conditions, better wages, minimum working hours, incentives and respect for equality can change into better and more satisfied workers and a lower turnover of staff. In the RMG sector workers constantly feel that they have been largely deprived of the rights and benefits in the existing labour laws, especially the rights and benefits related to issue of appointment letters, job security, provident fund, gratuity and working hours. The reasons is that most of the garment factories do not practices HR and IR issues and have no well defined HR or Personnel unit. As a powerful stakeholder, the Bangladesh government can put pressure on garment manufacturing enterprises for the improvement of working conditions through best practice of HRM and IR activities. For example, in 1980 the New Zealand Government introduced an ordinance for reform of public sectors employees called Good Employer Obligation. This provided a mandate for all public sector employers to develop and implement policies aimed at promoting best practice HRM practices in the four functional areas of health and safety, training and development, equal employment opportunity (EEO), and recruitment and selection under section of 56 and subsection 2, the State Sector Act 1988 (Edgar, Fiona, Geare and Alan, 2007). In fact, the infrastructure of Bangladesh RMG sector is poor due to a lack of financial support as well as government and policymaker’s inadequate attention to this sector. Assuring job satisfaction, over the long-term, requires careful planning and effort both by management and by workers. Therefore, the government, international community and stakeholder should work in synergy in improving working conditions in the RMG sector with the establishment of a HRM unit or Personnel Management unit in each RMG industry.

5.2 Working Environment

This section illustrates the present status of the working environment and OH&S policy and their application. It also examines workplace safety, monitoring working conditions and law enforcement in the RMG sector. In addition, employers’ liabilities during a disaster period are also discussed.
The working environment has a number of aspects includes physical element - the physical environment, which includes the built environment, a natural environment - air conditions, water, lighting, chemical, land, and atmosphere as well as the human environment. Thus the working environment is comprises the physical location, equipment, materials processed or used, and the activities of employees while engaged in the performance of work and their interaction.

As discussed in the literature review (pp.33-35), factories may not employ any form of corporal punishment or physical abuse, or psychological means of persuasion. Good standards of hygiene must be maintained and there must be set routines regarding First Aid and the processes to be followed in the event of injury. First Aid equipment must be available in every production unit, and at least one person in every department should be trained in the delivery of effective first aid (Fauzisa, 2004). However, despite these requirements being in place, workers within this industry often face poor occupational health and safety (OHS) standards. Examples of unacceptable OHS conditions include: extremes of temperature; unacceptable or uncontrolled noise levels; dust; inadequate ventilation; inadequate lighting; lack of fire-fighting equipment and emergency preparedness; blocked or inadequate points of access and egress; poor sanitation; unhygienic canteens and lack of drinking water (Monoppa, 2001).

Since 1950, the International Labour Organization (ILO) and the World Health Organization (WHO) have shared a common definition of occupational health and safety revised at its twelfth session in 1995. Occupational safety and health is a cross-disciplinary area concerned with protecting the safety, health and welfare of people engaged in work or employment. It may also protect co-workers, family members, employers, customers, suppliers, nearby communities, and other members of the public who are impacted by the workplace environment (Wei Shi and Meilin Sun, 2009). There are many different aspects to OHS including occupational medicine, occupational (or industrial) hygiene, public health, safety engineering, chemistry, health physics, ergonomics, toxicology, epidemiology, environmental health, industrial relations, public policy, sociology, and occupational health psychology (Monoppa, 2001). These different aspects interact with one another in the working environment.
The constitution of Bangladesh recognises productivity as basic to development and covers the right to work and reasonable wages, medical care, diseases and disablement (Article 15 A and 18 (1). The Act of 1965 makes provision for safety, health and hygiene for all workers with special provision for women and juvenile workers. In addition the Act of 1923 also contains a list of occupational diseases in respect of which compensation is payable (ILO and BGMEA, 2003; ILO-NATLEX, 2005). The working environment in the RMG industry is below expectations in number of ways. There are health and safety issues. Most factories do not have adequate ventilation and exhaust fans that leave the garment workers exposed to toxic substances and dust. Raw materials contain dust and fibre particles that hang in the air. Dye, a toxic substance emitted from coloured cloth, spreads in the workroom. As a result, many workers suffer constant fatigue, headaches and fevers anaemia, fever, chest, stomach, eye and ear pain, cough and cold, diarrhoea, dysentery, urinary tract infection and reproductive health problems (Doshi, 2008). The ILO Conventions both 155 and 161 are not yet ratified in Bangladesh though many of these recommendations implemented to some extent in existing labour law. The lack of work environment standards and exposure limits for different hazards and the lack of medical attention are the main deficiencies in the legislations (Majumder, 1998).

Under the Factories Act, 1965 there is provision for creches in any factory employing more than 50 women workers, a suitable room reserved for the use of children under the age of six belonging to women workers. Clause 87 of the 1965 Factory Act stipulates the following regarding childcare - where-ever more than 50 women are employed in a factory, childcare facilities should be provided for children less than 6 years of age (Ahamed, 1996; Khan, 1995; ILO and BGMEA, 2003; ILO-NATLEX, 2005). The rooms are to be operated by experienced and well-trained women; they should be spacious, clean, should have sufficient light and be ventilated; and they should be well equipped with necessary conveniences like beds and toys, and with arrangements for washing children’s clothes (Peter, 1997). In practice the situation is very different, the workers, including children are frequently locked in their workplace at the beginning of the morning shift and not let out until the end of the workday, and in some cases not until next day (Pratima and Begum, 1997).
Many of the buildings housing the production areas of this industry do not meet minimum standards as prescribed in building and construction legislation (Factory Rules 1979). As a result, many building collapses due to faulty building design. The Spectrum Factory building collapse of April 2005 killed 54 workers, injured over 70 and left hundreds jobless. Furthermore, places of employment in the garment sector are notorious for fire, which are said to have claimed over 200 lives in the past two years, though exact figures are difficult to find (The New Age, 24 May 2006) (Gunseli, 2007). A shocking instance of absence of workplace safety was the fire in Narsingdi in November 2000, where almost 50 workers lost their lives because exit doors were closed (The Daily Independent, 02, June 2006). In February 2006, a fire destroyed the four-storey KTS Textile Industries in Bangladesh’s port city Chittagong, again killing scores of mostly young and female workers (Iqbal, 2008). In February 2010, about 31 RMG workers were killed by fire at Gazipur RMG factory in Bangladesh (Amader Shamoy, 26 February 2010, p-1). Again, nearly 31 workers were killed, above 100 missing and several of them injured by fire at Narsinghpur, Savar, Dhaka, RMG factory (Hamim Group) on 14 December 2010 (Amader Shamoy, 15 December, 2010). In addition, as for working conditions, they are one of the worst in the world frequent garment factory fires taking many of lives due simply to lack of safe exits being the burning example. Moreover, compensation following an incident is rare in this area (Meghbarta, 2008). The violations of the occupational safety and health codes are flagrant, as evidenced by the types of tragic and preventable accidents that occur in Bangladesh factories (Majumdar, 2001). Such accidents seriously tarnish the image of Bangladesh and could cause buyers to turn to countries where tragedies of this type are comparatively low (EPB, 2008). The Directorate of Labour, Bangladesh is responsible for monitoring whether the factories have comply with building codes and meet essential safety standards. In addition, BGMEA also has formed a safety cell to undertake the fire-related emergency problems (Das, 2008). But the concerned agencies failed to perform their duty due to a lack of trained staff and labour inspectors, a rigid structure and insufficient logistic support. However, the current level of compliance with hygiene and safety standards is not adequate and reported tragedies the incidence of fire in the garment industry demonstrates. An example in Japan, the Labour Ministry has full jurisdiction over the administration of Occupational Health. The industrial health and safety department to stipulate OHS Legislation directly administers occupational health. Among other things, they
consider minimum standards for measures are to be taken by employers, as well as outlining the level of supervision and guidance that should be given by labour standards inspectors. As a result fatality and injury are rare and the compensation is fair and acceptable (Case study 6).

Workplace safety and health is a management responsibility as a consequence of employment. In the RMG factories injury, fatality, disablement and death due to building collapse are also common place (Paul-Majumder, 1996). Most workers, particularly female workers reported that the production target set for them is too high to be met within their normal work hours. Mistakes in work can often result in retrenchment, beatings and verbal abuse by the supervisor. Many workers, in their rush to meet targets, forget to use appropriate personal protective gear and as a result, often face accidents such as from needles (Absar, 2001; Begum, 1995). Usually RMG workers operate sewing machines, which are controlled by their right leg. The entire right side is under continuous movement while the other left side remains idle. As a result, many workers suffer disability (Paul-Majumdar, 2001). The Employer’s Liability Act, 1938 declares that the doctrine of common employment and of assumed risk shall not be raised as a defense in suits for damages in respect of employment injuries (ILO and BGMEA, 2003; ILO-NATLEX, 2005). RMG production floors are often overcrowded with limited workspaces. Unfortunately, disabled or injured workers rarely receive compensation or any other support. Under the Compensation Act in Thailand, employers must provide benefits to employees who are injured, become ill, or die due to work-related activities (Case study 3; Wjaegel, 2008). As the RMG industry’s success depends on RMG workers physical and mental health, the government should take effective initiatives for occupational health and safety policy.

In Bangladesh sexual harassment was made punishable by Section 10 (2) of the Nari O Shishu Nirjaton Domon Ain (2000) advocates that any man who, in order to satisfy his lust in an improper manner, outrages the modesty of a woman, or makes obscene gestures, will have engaged in sexual harassment and for this, the above mentioned male will be sentenced to rigorous imprisonment of not more than seven years and not less than two years and beyond this will be subjected to monetary fines as well (UNO, 2005). Workers mostly accuse supervisors, linemen, line chiefs, and production managers of the following: pulling hair, slapping, hitting, stroking, touching the body,
and even kissing workers as the latter sit at their machines. Nonverbal forms of harassment include winking, staring, whistling, standing very close and pinching (Majumder and Begum, 1997; 2000). Somewhere physical harassment is also occurred. Both male and female workers are beaten with stick, sting cone, fiber bundle, clothes, rolling newspaper, and rulers by the supervisor, line chief. Sexual harassment is not rare and even killing by management is found. Lani Fashion Ltd is the most exact example of violence such as rape and killing (Priyo, 2010). Furthermore while most work until after dark, there are no safety measures for them and no residential facilities provided. As a result, they frequently feel insecure, and for good reason: many garment workers are raped and abused by criminals who specialize in preying on them (Shimu, 1999; Mondal, 2000; Kabeer, 2004). The liability in both cases is entirely that of the employer. The employers are allegedly not taking care of the workers but exploiting them for their own business interest. Government initiatives for effective implementation of existing labour laws and modification of laws, where necessary, can improve state of addressing workers’ rights and their productivity. In Japan the EEOA Art. 21(1) prohibits physical and sexual harassment and the work place must be supervised by the employer (Case study 6).

5.2.1 Conclusion

Workers in general are not dissatisfied with the present job quality in garment industries. However inadequate safety measures, absence of first aid or medical facilities, poor sanitation, unhygienic working places are considered as unacceptable working conditions. The Factories Act nominally sets occupational health and safety standards but this law is largely ignored by employers as enforcement by the Labour Ministry’s Industrial Inspectors is weak. Labour rights and labour standards could be enhanced if Bangladesh Government formulate and implement a comprehensive and effective labour law that incorporates labour rights in the RMG industry. In addition a monitoring and surveillance system is required in this sector.
5.3 Freedom of Association and the Right to Collective Bargaining

This section describes collective bargaining process and formation of trade unions in the RMG sector. It also focuses on the dynamic role of trade unions, how they improve labour relations and create a congenial work environment.

Representation empowers workers and enables them to bargain effectively and negotiate to their advantage, with the result that their income, employment and working conditions improve (Freeman, 1980; Booth, 1995). Employees can be represented through the formation of freedom of association. Freedom of association is the individual’s right to join other individuals and collectively express, promote, pursue and defend common interests. Freedom of association in the sense of workers’ right to organize and collectively bargain is also recognised in the Universal Declaration of Human Rights and International Labour Organization Conventions. The ILO Declaration adopted in 1998 obliges the Organization to assist member States’ efforts to respect fundamental principles and rights at work, including freedom of association and collective bargaining (Source: ILO Fact Sheet, 2009).

a) Convention 87 - Freedom of Association and Protection of the Right to Organize Convention, guarantees that workers and employers, without distinction whatsoever, shall have the right to establish and to join organizations of their own choosing without previous authorization (Source: ILO Fact Sheet, 2009).

b) Convention 98 - Right to Organize and Collective Bargaining Convention, protects all workers against acts of anti-union discrimination (Source: ILO Fact Sheet, 2009)

c) Convention No. 181 on Private Employment Agencies can be used as a tool to ensure that all workers, including those outsourced by agencies have the same rights, including the right to organize (Source: ILO Fact Sheet, 2009)

Despite the fact that Bangladesh has ratified ILO Convention No.87 (1948), and No.98 (1949), in 1972 and that the constitution and national law provide for the right
to join unions, these rights are not respected in practice. In India, the Constitution guarantees freedom of association and workers are free to join trade unions of their own choosing. Numerous laws and regulations are now more detailed and the labour relations s system functions reasonably well in the formal sector Textile, Clothing and Footwear industries. Recently Indonesia ratified all the ILO’s fundamental standards concerning freedom of association and the right of collective bargaining (Jenings, Maillard and ILO, 2000). In 1992, the Philippine government adopted new Labour Code that provides trade union rights and collective bargaining in free zones. Under the Section 41 of Act 8-90 states that all zone enterprises must observe the provisions of the Labour Code and other labour laws, including those concerning social security and training. Now 14 trade unions are operating in EPZs (Jenings, Maillard and ILO, 2000). As a signatory to the ILO Conventions Japan also guarantee workers’ rights and freedoms of association, and the right to organize and collective bargaining. All employees have the right to join a union, to collective bargaining, and to strike with exception of the military, police officers, and fire fighters. Public employees may join unions, but do not have the right to strike, and their collective rights also limited (ICC, 2007).

Generally, collective bargaining means fixing of wages and disputes settling in the formal sector, where trade unions are represented. In Tunisia, the Constitution and the Labour Code expressly guarantee the right of workers to form trade unions. The trade unions have a strong presence in formal sector TCF enterprises and participate in collective bargaining to fix salaries and certain conditions of employment (Jenings, Maillard and ILO, 2000). Australian unions continue their efforts to increase the minimum wage, to protect employee entitlements and to extend family-friendly policies. The Australian Council of Trade Unions (ACTU) has contested the law on the ground that it violates rights provided in ILO Convention 87 on Freedom of Association and Protection of the Right to Organise and Convention 98 on the right to Bargain Collectively, both of which Australia has ratified (Australia Fair Pay Commission, 2009; Case study 6). On the contrary the Ghana Trades Union Congress has developed relationships with workers in the informal economy and their associations since the early 1990s. In the same way, the Zambia Congress of Trade Unions (ZCTU) has supported activities to strengthen the organisation and representation of informal economy workers. This has led to the formation of the
Alliance of Zambian Informal Economy Associations in 2002, which now works closely with the ZCTU to represent more than two million informal economy workers (Anyemedu, 2000). Labour unions are very active in the clothing sector, where they act as mediators between workers and factory owners to settle disputes and discuss wages in Cambodia (Morshed, 2007).

Many countries have constitutions and laws that guarantee freedom of association and the right of collective bargaining, but in reality trade union practices are not always satisfactory. For example, in Costa Rica, the Labour Code amended in 1993 to improve protection of trade union freedoms and prevent anti-union discrimination, in practice this legislation has not yet improved. They prefer solidarity associations which they can better control (Jenings, Maillard and ILO, 2000). In Madagascar, the unionization is extremely low and the industrial relations system therefore depends on direct negotiation between employers and individual workers. Sri Lanka has a system of workers’ councils in its free zones those are consist of five to ten members elected by workers in secret ballots. A joint committee of workers’ councils undertakes awareness raising program in relation to workers of their rights and privileges and coordinates the activities of councils, provides legal assistance where necessary (Jenings, Maillard and ILO, 2000).

In the Bangladesh RMG sector, there is no acceptance of the right to unionize at the factory level and owners fear trade unions (Dasgupta, 2002). Some factories have established so called participation or social welfare committees. They do not allow bargaining for wages, working hours and benefits; they can only discuss issues such as cleanliness, leave, productivity. As a result, there has been serious unrest in the industry over the last few years, in part due to the inability of workers to express their grievances through organising into trade unions. In fact a union may acquire the status of a juristic person with a mandate to negotiate with employers for the workers it represents. In such cases, unions have certain legal rights, most importantly the right to engage in collective bargaining with the employer (or employers) over wages, working hours, and other terms and conditions of employment. The inability of the parties to reach an agreement may lead to industrial action; bring to a close either strike action or a management lockout, or binding arbitration. In extreme cases, violent or illegal activities may develop around these events (Wales, 2010).
example, in the Philippines, the acceptance of trade unions in the garment factories as well as the advent of collective bargaining has provided a vehicle for peaceful resolution of disputes, which previously had been the cause of frequent strikes and work stoppages (Jenings, Maillard and ILO, 2000). The government, international agencies and national factory owners need to consider the rights of the workers including that of the right to organize as an integral part of healthy industrial relations.

Union bargaining power is most effective when they are organized and form unified (Boeri, Brugiavini, Calmfors, 2001: p.50). Union density might be considered a good objective indicator of compliance with freedom of association. In some cases union density numbers may not be indicative of genuine freedom of association because governments or political parties may exercise control over membership (Freeman and Rogers, 1999). China and Egypt, for example, impose explicit governmental control over unions. In India, major political party has its own union. The presence of yellow unionism -unions controlled by employers can also affect union density figures, as can control of unions by government officials or criminal elements (Jenings, Maillard. and ILO, 2000). On the other hand, low union density in countries where freedom of association is respected could occur if workers have simply not interested for union representation or where other forms of worker-management interaction are prevalent (Jenings, Maillard and ILO, 2000). For example, the Colombian Constitution recognizes the right to organize and protects the right of collective bargaining, but unionization remains low and it is difficult for trade union leaders to enforce their rights and carry out normal collective bargaining due to political pressure and social unrest (Jenings, Maillard and ILO, 2000). Bangladesh, however, requires a quorum of support of 30 per cent of workers to create a trade union, this has been denounced by the ILO. There are many restrictions. Unions must have government approval to be registered, and no trade union action can be taken prior to registration. Only registered unions can involve in collective bargaining, and each union must select representatives to a Collective Bargaining Authority (CBA) committee, which is subject to approval by the Registrar of Trade Unions (ILO and UNICEF, 2004).
5.3.1 Conclusion

Employees have the right to work in a safe environment, receive moderate pay, have flexible working hours, receive compensations, and transport and accommodations facilities, job security and social safety nets. The trade union should bargain for employees’ rights and benefits with the management. If the management do not respect their demand, the trade union can stand up draw attention to society, government and other stakeholders. Therefore, research suggests including trade unions in the RMG sector. The Bangladesh Industrial Relations Ordinance (section 176 [b]) outlaws discrimination against union members and organisers by employers, and protects registered unions and union officers from civil liability but enforcement of these provisions is uneven (Faruque, 2009). Therefore, governments should take affirmative action to ensure that the workers rights can be exercised by examining the content of laws and the associated legal structure to protect freedom of association, boost of the government’s effort and effectiveness in implementing the laws, and permitting freedom of association.

5.4 Labour unrest and Dispute resolution

This section discusses labour unrest and how labour disputes can be resolved in a satisfactory way. In addition, it discusses disputes process such as adjudication, consultation and arbitration with some example satisfactory practices from other countries.

Human beings are recognised upon creation certain rights that they are guaranteed regardless of what their government is, and their life and liberty as well as property. The right to equal treatment, regardless of gender, origin and appearance, religion, sexual orientation, is also seen by many as a workers’ rights25. Workers’ rights are a relatively new addition to the modern body of human rights26. Worker’s rights

25Labour rights or workers’ rights are a group of legal rights and claimed human rights having to do with labour relations between workers and their employers, usually obtained under labour and employment law. In general, these rights' debates have to do with negotiating workers' pay, benefits, and safe working conditions (ILO, 2006)

26Human rights, universal rights held to belong to individuals by virtue of their being human, encompassing civil, political, economic, social, and cultural rights and freedoms, and based on the notion of personal human dignity and worth (Glendon, 2001).
advocates have worked to improve workplace conditions, health and safety issues, fair labour practices and combat child labour that meet established standards (ILO, 2006). In most cases, employers do not draw attention to workers’ rights and ignore labour standards and discarding fair labour practices. As a result labour unrest\textsuperscript{27} is common and can leads to demonstrations, processions, strikes, termination and lay offs. Labour movements\textsuperscript{28} have contributed to reforms and an increase in workers’ rights, such as the two-day weekend, minimum wages, paid holidays, and the achievement of the eight-hour day. In 19\textsuperscript{th} century, labour movements campaigned for an eight-hour workday, and worker advocacy groups have argued limiting work hours, with a working week of 40 hours or less (Kabir, 2006). A 35-hour workweek was established in France in 2000, but it was not respected due to the global financial crisis (GFC) weakened since then. Workers may agree with employers to work for longer, but the extra hours are payable as overtime. In the European Union, the working week is limited to a maximum of 48 hours including overtime (Cole and Diane, 2004). During the Progressive Era (1890s to the 1920s) in the United States, workplace reforms began which received publicity boosts from Upton Sinclair’s The Jungle\textsuperscript{29} and events such as the 1911 Triangle Shirtwaist Factory fire. Labour activists and other groups often criticize production facilities with poor working conditions as sweatshops and occupational health hazards, and campaign for better labour practices and recognition of workers’ rights throughout the world. The labour movement pushes for guaranteed minimum wage laws, and there are continuing negotiations about increases to the minimum wage. In Chicago 120 years ago, garments workers traditionally worked 12 to 13 hours a day and seven days a week. However workers stood up for their rights and the situation changed, but in Bangladesh exploitative working conditions remain (Kabir, 2006; Shimu, 1999). Recently, the Bangladesh RMG sector has been beset by

\textsuperscript{27} Labour unrest is a term used by employers or those generally in the business community to describe organizing and strike actions undertaken by workers and their unions, especially where disputes become violent or where industrial actions in which members of a workforce obstruct the normal process of business and generate industrial unrest (Wales J., 2010).

\textsuperscript{28} Labour movement is a broad term for the development of a collective organization of working people, to campaign in their own interest for better treatment from their employers and governments, in particular through the implementation of specific laws governing labour relations (Wales J., 2010). Many labour movement campaigns for limiting hours in the workplace.

\textsuperscript{29} Upton Sinclair’s The Jungle is a vivid portrait of life and death in a turn-of-the-century American meat-packing factory. A grim indictment that led to government regulations of the food industry, The Jungle is Sinclair’s extraordinary contribution to literature and social reform.
very serious labour unrest. Since May 2006, large-scale vandalism of garments factories by the workers had, at times appeared to threaten the very existence of this industry (BUP, 1990; Muhammad, 2006). To illustrate the scale of events in the past two years: around 4000 factories in Dhaka have had a wildcat strike, 16 factories were burnt down and hundreds ransacked and looted, pitched battles were fought with police and private security forces. Police actions against workers have resulted in several deaths with many more injured and even more arrested and resulted in closures of factories and plants (Iqbal, 2008). The major disagreement between the RMG factory owners and the workers has been the allegedly low level of wages paid in this industry particularly wages paid to unskilled workers other contributing issues are late and irregular payment of wages, lack of security of workers resulting from absence of a formal contract between the worker and the employer, nonpayment of maternity and other benefits to female workers who are mostly young women, an acutely difficult working environment, gender discrimination, long hours (beyond 8 hours a day), forced labour, child labour, sexual harassment, transport problem, weekly holiday, maternity leave, formal appointment letter, hazardous work environment and so on (Absar and Kumar, 2001). Under pressures from international buyers, civil society as well as government and employers have agreed to tripartite negotiations on the wage issue but to date attitude have been less than supportive. If the negotiations can start a healthy process of industrial relation, all parties involved would eventually win. In this manner, collective bargaining can be advantageous for both workers and employers. For workers, collective bargaining, more so than individual employment relations, ensures standard wages and better working conditions by providing them with a collective voice. It also allows them to influence personnel decisions and to achieve a fair distribution of gains from technological progress and productivity increases. For employers, collective bargaining helps to stabilise industrial relations by maintaining industrial peace that otherwise may disrupt by labour unrest (Ozaki, 1999). Therefore, a tripartite negotiation structure is required where government, trade unions and employers’ organisations each have a voice and a vote, to form the basis for debate concerning labour rights, labour standards, and fair labour practices and working conditions in the ILO. In consequence, the government should play the role of honest negotiator between the conflicting forces of the industry, the factory owners and the workers, keeping in mind that the apparel industry remains the lifeline of the national economy.
The labour courts can play an important role for protection of industrial peace through settlement of issues on labour management problems, and hence they enjoy the confidence of both the employers and the workers. Mechanisms for conciliation, arbitration, and labour court dispute resolution are established under the Industrial Relations Ordinance 1969 including the Industrial Relations Rules of 1977, which permits the formation of trade unions and regulates relations between employers and workers. Workers have the right to strike in the event of a failure to dispute settle (ICFTU, 2006). However, if the strike lasts 30 days or longer, the government may prohibit it and refer the dispute to the labour court for a jurisdiction (Kabir, 2006). For example, the case of the Shangri-La Jakarta Hotel workers is an example of the inequality of power suffered by employees at the hands of their employers, and the collusion and corruption that often emerges when conducting business in Indonesia.

In November 2001, the ILO’s Committee on Freedom of Association was called on to investigate alleged violations of the fundamental rights to freedom of association and the right to organise and bargain collectively. The allegations concerned the large-scale dismissals of members of the Shangri-La Hotel Independent Workers’ Union, Serikat Pekerja Mandiri Shangri-La Jakarta (SPMS) following strike action by employees of the hotel. The case also considered claims of violent police intervention to break the strike, which led to the arrest and detention of approximately 20 unionists (Owens, 2004). All but 79 of the sacked employees accepted this ruling and settled with the Hotel. The 79 remaining employees lodged an appeal with the State Administrative Court, Pengadilan Tinggi Tata Usaha Negara. The Court ruling that the mass dismissal of SPMS workers is illegal and Court ordered the reinstatement of the 79 workers. The Court also ordered the defendants to publish written apologies to Hotel management in five national newspapers (Owens, 2004). There are law courts in Bangladesh, workers and management can move for adjudication of disputes but these are expensive and time-consuming.

Alternatively, labour disputes can be resolved through a consultation system. The consultation process will create friendly environment and improved attitudes of the concerning parties and then discuss dispute issues and futures potential problems. Such consultation system can ensure greater cooperation among the management partner and worker, stronger awareness and concern their dispute issues relating to
labour rights and labour standards. Australian industrial relations are characterised by high union membership and a federally driven, but state controlled, mandatory arbitration and conciliation system (Case study 6). The Australian Government Attorney-General’s Department fix-up a range of consultation and coordination mechanisms within the native title system, including the Native Title Coordination Committee and the Native Title Consultative Forum. The Native Title Coordination Committee is made up of representatives from;

a) Australian Government Attorney-General’s Department
b) Department of Families, Housing, Community Services and Indigenous Affairs
d) Federal Court,
e) Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) and
f) Tribunal

The committee is to monitor, regularly review and advise the Government on how to make better use of payments from the agreements (Australian Government Attorney-General, 2010). In Japan, consultation is regarded as a peaceful attempt to reach convergence, whereas collective bargaining is recognized as a confrontation. Under the Article 28 of the Constitution guarantees the workers’ right to act collectively, this includes labour disputes. In Namibia, for example, section 8 of the 1995 Export Processing Zones Act stated that the Labour Act of 1992 would not apply in the zones but that the Minister of Trade and Industry, in consultation with the Minister of Labour and Human Resources Development, could regulate issues such as minimum standards of employment, termination, health, safety and welfare (Jenings, Maillard and ILO, 2000). Similarly the Philippines provides an excellent example of a zone-operating country where freedom of association and collective bargaining were not recognized in zones, however, after years of industrial conflict, made the necessary reforms and established a stable system of labour-management relations. As a result, the Department of Trade and Industry to set up a Centre for Labour Relations Assistance (DTI-CLARA) which promoted the concept of labour-management councils (LMCs) in zone enterprises. In Jamaica, Trinidad and Tobago labour movements are represented a tripartite body for overseeing zone operations those are
covered by the national labour laws (Jenings, Maillard and ILO, 2000). In the same way as the Philippines, the Dominican Republic went through a period of labour unrest before instituting reforms which have gone a long way towards enhancing respect for workers’ rights and improving conditions in the zones (Jenings, Maillard and ILO, 2000).

There is an absence of consultation system in the Bangladesh RMG sector. In Export Processing Zones (EPZs), where different regulations apply, trade unions were not authorised by law. However, in 2004, the government partially lifted this restriction by allowing workers in EPZs to form Workers Representative Welfare Committee (WRWC). Since 2006, workers are allowed to form *Workers Associations* but formalities to create those committees are reportedly lengthy and complicated. Thus, unions raised the issue of the difficulty to access information and resort to buyers’ pressure when a problem is found in a factory (Mondal, 2000).

5.4.1 Conclusion

In the RMG sector workers are largely deprived of their rights and benefits, as a result labour unrest is common. This issue can be minimised through an effective consultation process. Therefore government along with international community, NGOs, stakeholders and other concern agencies can set forth the framework for effective consultation. The government has to be a more active player and take more initiatives with the leadership of the RMG sector. In such manner disputes can be settled upon request of one or both parties for conciliation, mediation or arbitration. In these circumstances, with the agreement of all parties, they could initiate the formation of an arbitration facility in disputes settling without workers resorting to violence. The *Cambodian ILO Better Factories* provides a program which has improved the labour standards through arbitration cell (Berik and Rodger, 2008).

5.5 Child labour

This section discusses the effect of child labour in the RMG sector. Child labour is a sensitive issue in global business. The ILO, the WTO and other international communities consider child labour as abusive and exploitative. To eliminate child
labour, the ILO and other stakeholder promote decent work program with technical and financial support. These are also discussed in this section.

Children have the right to be children: to be loved cherished, educated, nourished, clothed, pampered, and fostered as children when they are children (Hasnat, 1995, quoted from Natoli, 1992). Child labour is, then, a denial of the right to enjoy childhood and achieve full physical and psychological development. Children need a fostering household and social environment in order to grow into economically active, productive adults with the ability to participate effectively in the social, cultural, and political activities in society. Fostering household a child in house receives not only adequate and nutritious food for normal and healthy physical growth, but also needs appropriate health care, affection, and intellectual stimulation. Society should ensure that each child receives education at least primary level and has opportunities for healthy social interaction. Child labour not only harms the child, but also keeps up poverty and compromises economic growth and equitable development (ILO, 2002).

The legislation prescribes that children between ages 6 and 10 must attend school up to the fifth grade or up to the age of 10 years (ILO, 2004). When children are forced to work, they are often denied their rights to education, leisure and play. They are also exposed to situations that make them vulnerable to trafficking, abuse, violence and exploitation. However, millions of children around the world are involved in many working places, several of them for long hours and in hazardous conditions. Very few of them work only during off-school hours which could be desirable for their healthy growth into adulthood. The ILO estimated in 2002, about 246 million child workers (aged 5-17) in the world, 180 million referred to as the worst forms of child labour, often involving hazardous conditions (ILO, 2002). About eight million children from this total are working in the unconditional worst forms of child labour, which include armed conflict, forced and bonded labour, prostitution, pornography, drug trafficking, and other illicit activities (Palley, 2002)

Child labour is particularly widespread in the manufacturing industries in Asia but there is a growing awareness of the problem (Delap, 2001). Many countries have reduced child labour by the implementation of relevant legislation and supervisory mechanisms. In developed countries special measures are undertaken to raise
awareness promoted jointly by employers, trade unions, NGOs, international organizations and governments (IFC, 1994). Fearing sanctions against their products, aware of the negative aspects of child labour, a number of employers have reduced or eliminated the use of child workers. In addition the national trade unions also worked to identify instances of non-compliance with labour legislation or the unfair competition that arises from employing children to the detriment of unemployed adults (ILO, 2000). For example, a CBS television documentary badly publicised child labour against a Nike and Adidas ball manufacturing company in Sialkot, Pakistan in 1995. As a result, U.S Government officials and the industry agreed in 1997 to eliminate child labour by moving production out of the households to soccer ball factories (Hyde, 2009). More than 3,000 children have been able to stop working and attend school. In addition to local initiatives, with the assistance of international buyers other measures have been taken to provide their families with financial support (Hyde, 2009). Similarly, in India, local NGOs have been particularly active in drawing the attention of the media and the authorities to the exploitation of children in textiles and carpet-making workshops under conditions of debt bondage that are alike forced labour. In response to the problem of child labour, the Government of India participates in the International Program for the Elimination of Child Labour (IPEC) program and allocated 2.5 billion rupees for child labour projects in the budget for Ninth Five-Year Plan. In Nepal, jointly Government, social partners and local NGOs has taken initiatives to eliminate child labour, particularly in the production of carpets (ILO, 2000). These initiatives supported by the ILO and UNICEF led to a significant reduction in the use of child labour in the carpet industry. Sri Lanka is one of the best examples in Asia, national legislation appears to be sufficiently well implemented in the TCF industries to ensure that child labour is virtually non-existent and presents no particular problem (Jennings, Maillard and ILO, 2000).

Child labour is work that exceeds a minimum number of hours, depending on the age of a child and on the type of work. Many of the jobs that children in Bangladesh perform are considered, hazardous, and put their physical and mental development at risk. Mostly child workers are found in the garment industries, bakeries and confectioneries, hotels and restaurants, transport, bidi (cigarette) factories, small engineering workshops, fish processing, and other informal and unregulated sectors.
Employers prefer to employ children because they are cheaper and considered to be more compliant than adults. Many families in Bangladesh rely on the income generated by their children for survival. Therefore, child labour is often highly valued and is accepted and common. The Bangladesh Bureau of Statistics Labour Force Survey (1990) reports that, there are about 5.7 million children aged between 10 and 14 working in Bangladesh. Nearly all the child labour is in the RMG sector. According to the Multiple Indicator Cluster Survey 2006 reports that there are about 12.8 million (aged 5-14) working children (BSS and UNICEF, 2007).

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<th>Table 12: Child Labour : Bangladesh Key Statistics</th>
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<tr>
<td>Working children, aged 5-17</td>
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<td>Working children, aged 5-14</td>
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<td>Child labourers (according to definition, below), aged 5-17</td>
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<td>Children engaged in hazardous labour, aged 5-17</td>
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<td>Child domestic workers</td>
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<td>Percentage of children (aged 5-14) engaged in child labour (2006)</td>
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Bangladesh is considered to have a child labour problem especially in the Garments sector. Children ranging in ages from eight to fourteen work. In the garment industry, in most cases, children commence work at a very young age (ILO, 2008). Garment factory owners prefer girls under 15 years because they work for less, are more likely to be unmarried with no children or domestic responsibilities. Mostly child workers are appointed as apprentices or helpers for months and are not issued identification or time cards even after completing their apprenticeship period. There is no paid leave for holidays, and salary is deducted if the child is absent, or for unproductive periods due to load shading electricity and temporarily production goes out (Source Bureau of International Labour Affairs, United States of Department of Labour, 2012). Most of the child workers have no proper training and do not use protective gear and have no concept on occupational health and safety issues. As a result, there is an increased chance of serious injury or even death in the workplace (Rahman, Khanam and Nur, 1999).
The Employment of Children Act prohibits children under 12 from working in industries such as tanning and manufacturing (bidi\textsuperscript{30}, carpet, cloth, cement, and fireworks), and it prohibits children under 15 from working in railways. The Factories Act and Rules establishes 14 years as the minimum age for employment in factories, and the Children Act of 1974 prohibits the employment of children under 18 in brothels or as beggars (ILO, 2002). The penalty for violation of this Act (Article 44(1)) is a fine up to 1,000 taka. Other laws include the Shops and Establishments Act 1965, and the Children’s Act 1974 and Children’s Rules, 1976. The ICFTU has been active in seeking ratification of the ILO Convention No. 182 (The Elimination of the Worst Forms of Child Labour), as well as the ratification of the Convention No. 138 (Minimum Working Age Convention), and these have enjoyed a high rate of ratifications among member states (ICFTU, 2005). The government agency responsible for enforcing child labour laws, the Bangladesh Department of Labour and Inspectorate of Factories, lacks sufficient resources, staff and logistical support to adequately perform the task of monitoring child labour laws (ILO, 2008).

The UN Committee on the Rights of the Child expressed concern in 2009 that many Bangladeshi children continue to work in five of the worst forms of child labour, namely welding, auto workshops, road transport, battery recharging and tobacco factories. The Committee also raised concerns about the lack of mechanisms to enforce child labour laws or monitor working conditions, and insufficient public awareness about the negative effects of child labour. International organizations and NGOs pressured the industry to retain the remaining children in order to have an opportunity to establish safety nets for them (UNICEF, 2007).

A Memorandum of Understanding (MOU) signed in 1995 with the ILO and the United Nations Children’s Fund (UNICEF) to eradicate the employment of children in export garments factories. The Bangladesh Garments Manufacturers Export Association (BGMEA) responded to urging by its member to remove under-age workers from their workplace, and conform to the National Factory Act (Factories Act

\textsuperscript{30}Bidis (also known as beedis or beedies) are small brown cigarettes, often flavoured, consisting of tobacco hand-rolled in tendu or temburni leaf and secured with a string at one end. They are primarily produced in India, Pakistan and in some South-eastern Asian Countries, and are imported to the US. Bidis are more damaging to health than traditional cigarettes and they are flavored to make them attractive to children. That's a lethal combination.
1965 [Act XXV of 1934]. They regulated appointments of workers, wages and working conditions, including health and hygiene, safety, welfare, working hours, leave and holidays, as well as punishments and penalties both owners and workers for non-compliance (Rahman, Khanam, and Nur 1999). Following that the agreement, garments employers released about three-quarters of all children employed in the industry. As a result, many children went looking for new jobs in stone crushing, street hustling and prostitution - all more hazardous and exploitative than making garments (Rahman, Khanam, and Nur 1999).

In response, the ILO has adopted the International Program for the Elimination of Child Labour (IPEC) and the International Confederation of Free Trade Unions (ICFTU) has played a major role in implementing this program at the local level. The program also deals with the elimination of the worst forms of child labour such as bonded child labour, involvement of very young children at work, and exploited female children in illicit work situations such as the sex trade. But the program needs to provide educational opportunities for children, while reducing or if feasible eliminating the hours spent at work (Khanam, 2004). Despite the initiatives, child labour remains a serious problem in Bangladesh RMG industry (ILO, 2004). On the other hand, penalties against this practice are negligible (ILO-NATLEX, 2005). There are many reports, which criticise child labour in Bangladesh, from organisations such as the ILO or UNICEF as well as from many NGOs. When children are forced to work, they are often denied their rights to education, leisure and play. They are also exposed to situations that make them vulnerable to trafficking, abuse, violence and exploitation (ILO, 2008).

5.5.1 Conclusion

In order to continue export RMG products into the global market, the RMG authority and Bangladesh government must ensure that child labour is prevented in the RMG industry. The challenge now is to ensure that the relevant provisions are being incorporated into the national law and legislation. Apparently, a National Plan of Action for the elimination of child labour in the country is urgently needed. For example, in South-East Asia, the Governments of Indonesia, the Philippines and Thailand has collaborated with IPEC in order to assess child labour in the footwear
industry. That assessment has served as a basis for national programs to eliminate child labour, especially its most coercive form, debt bondage. Brazil has witnessed dramatic progress in eliminating child labour and achieving universal basic school enrolment for the last two decades. The Brazilian Government has launched a federal Program for the eradication of the worst forms of child labour Post Eligibility Treatment of Income (PETI) in 1996, which is designed to withdraw children between 7 and 15 years of age from dangerous, heavy, unhealthy or degrading forms of labour. The program explicitly states as a condition “all children who are less than 16 years old must be withdrawn from any form of child labour” (ILO, 2008). Initially it was implemented as a pilot project at coal production areas of the State of Mato Grosso do Sul, assisting children who worked in the coal kilns and in the harvest of mate tea leaves, covering 14 municipalities. Then it was moved into the sugar cane plantations of Pemambuco and the sisal region of Bahia in 1997 and in 1998, it was extended to the citrus region of Sergipe, to mining areas in Rondônia and sugar cane areas on the coast of Rio de Janeiro (ILO, 2011). In fact, the PETI program was extended to various activities in over 3,300 municipalities (61% of total municipalities of Brazil) by February 2008. As a result, school attendance rose from 85 percent to 97 percent (ILO, 2011). In an attempt to draw concrete policy lessons from the Brazilian, experience applicable in other countries lagging behind in terms of child labour elimination efforts. Other similar initiatives have been launched in Morocco, in Cambodia, in the Lao People’s Democratic Republic and in Vietnam (Jennings, Maillard and ILO, 2000).

Education is a right for all children and is in their long-term best interest. Getting under-age children out of work and into school is the right strategy. Once the possibility of working is no longer there and schools are available, there is a strong will to attend schools (Khanam. 2006; Jenings, Maillard and ILO, 2000). Safety nets should be in place prior to removing children from work to mitigate the negative welfare effects and ensure that children do not end up in even worse conditions. Therefore, a monitoring and verification system is necessary to keep workplaces free from child labour as well as to prevent ex-working children from being dragged into hazardous employment. The government or a nationally recognized body for sustainability should support such systems.
In the short-term, removing children from industry and placing them in schools can result in a significant income loss for children and their families (Jenings, Maillard, J. and ILO, 2000). Most of the child worker’s parents keep children out of school, preferring to have them working for money or helping with household chores (Delap, 2001). So, the ILO, NGOs, government and other stakeholders should provide some recompense for those children who have lost their jobs.

5.6 Does Globalisation improve the Labour Standards?

This section describes how globalisation effects labour standards. To ensure labour rights compliant with ILO and WTO rules, and some agreements such as GATT, NAFTA, SAFTA, GSP, Codes of Conduct, and Decent work are also discussed. In addition this section discusses threat and pressures used in international trade.

Globalisation which took off in the 1980s refers to the interconnection of countries through increased trade and financial flows. The term globalization describes to the intensified mobility of goods, services, labour, technology and capital throughout the world (Chowdhury, 2008). It refers to increasing global connectivity, integration and interdependence in the economic, social, technological, cultural, political and ecological spheres (Stephen Gill, 1995). Globalisation is a continuous process of interaction and integration among the people, companies, and governments of different nations operated by international trade and financial investment and give support to information technology (Chowdhury, 2008). This process effects on environment, culture, political systems, socio-economic development and prosperity, and human physical well-being in societies around the world (Richards, 2007). An international legal framework on social standards ensures a level playing field in the global economy. It works for native governments and employers to avoid low labour standards and provide better opportunities in international trade.

Globalisation and Labour standards are both important in the modern world and gradually, governments are becoming increasingly aware of their importance. After the cold war, globalization has become the new world order. The inventors of globalization, the advanced countries have played the pioneering role in the formulation of globalization, advocating consequential higher economic growth,
better distribution of income and better social relations in developing countries (Chowdhury, 2008). However, economic, political, cultural, and social issues are far from being implemented. Although many new industries have been set up most of the companies do not comply with the labour standards\(^{31}\) that have been set by the International Labour Organization. As a result of this, workers are being exploited by receiving the standard wage, required to work over time without extra payment, using child labour, and labour related discrimination, lower minimum wages, and unsatisfactory working conditions and less overall protection of core labour standards (Hall and Leeson, 2007). Furthermore, the laws on working hours, overtime, health and safety are enforced poorly. Serious unrest is common in the industry, in part due to the inability of workers to express their grievances through organising into trade unions. Thus, globalisation has a number of interrelated concerns with respect to its social impact. These include its impact on employment, the distribution of income, and role of labour standards (Hall and Leeson, 2007).

Globalization has rapidly changed the world economy in a number of ways during the last few decades. The common factor changes in global production systems through the establishment of free trade zones (FTZ) or export promotion zones (EPZs\(^{32}\)). EPZs are mostly located in the developing or underdeveloped country to create employment opportunity and thus reduce poverty and develop socio-economic of the native country (Marilyn and Martha, 2004). These zones are often used by multinational corporations to set up factories to produces leather goods and garments. The multinational corporations select underdeveloped and developing countries and setup an overseas factory, bidding wars erupt\(^{33}\) between rural governments. The selected government then pays the initial cost of factory setup, relaxes environmental protections and other rules, ignores the proper treatment of workers, and promises tax exemptions. The benefits of tax exemption and expedited imports and exports are normally offered only to free trade zones in underdeveloped or developing countries,

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\(^{31}\) The labour standards which are accepted internationally are those that are included in the concept of decent work introduced by the ILO in 1999, which focuses on wages, working hours, overtime, health and safety, job security, the right to form trade unions and environment security (ILO, 2004).

\(^{32}\) A free trade zone (FTZ), or export processing zone (EPZ), is an area of a country where tariffs and quotas are eliminated and bureaucratic requirements are lowered in order to attract companies by raising the incentives for doing business there.

\(^{33}\) A situation in which buyers compete by offering higher and higher bids for the purchase of something such as a company or a house
almost all of which are owned by foreigners. The only benefits that this company’s business brings to the host country are low-paid, highly unstable jobs (Hall and Leeson, 2006). There are about 500 EPZ (located 116) mainly developing countries, employed 42 million workers by 2002. China alone accounted about 30 million (Goldin and Reinert, 2007).

EPZ companies are always trying to compete in a global market on the basis of low cost and cheap prices. They make an effort to improve their performance by intensifying work and more pressure on workers to reach higher production targets. As a result, excessive work is common and workers rights’ often violated (Siddiqi, 1997). Nicaragua, for example, workers in the EPZ garments industry work 12-14 hours per day to earn US$140 per month (ILO, 1998). In another example, workers are mostly encumbered by India’s failure to address child labour in its carpet factories are the exporters in Nepal who are striving to make carpets under good working conditions. In Lesotho, workers in export estates producing goods like textiles and garments face violation of basic working conditions, police violence and shootings; and Egypt, where child labour is extensively employed in export sectors like commercial agriculture, textiles, leather and carpet-making. The whole developing world suffers from China’s violation of all the core labour standards, enabling it to act as a magnet to persuade multinational companies to uproot their production from other developing countries in order to produce at low labour cost in China’s special economic zones instead (Gunstensen, 2004).

The extreme competition for foreign investment between EPZ host countries, and their interests lead to a compromise on workers’ rights and conditions and causes a threat to the established achievements and continuing work of trade unions (Gunstensen, 2004). To such an extent, workers’ fundamental rights are abused. Workers are most affected by the suppression of trade union rights in Indonesia’s coal mines for the Indian coal miners. In Mexico, the systematic failure of the state to apply the law in the maquiladora free trade zones deprives over a million workers of their basic rights; alternatively Turkey’s free trade zone workers are denied the right to strike (Gunstensen, 2004). Similarly in Malaysia, workers in the electronics export sector are denied the opportunity of joining trade unions. Many countries have enacted specific laws, which explicitly restrict trade union rights. However, law does
not take into consideration violations of trade union rights that result from the nature of EPZs. Furthermore, monitoring and enforcing national legislation in relation to working conditions in EPZs is difficult. As EPZs are surrounded by fences, their physical demarcation is defended by security guards and entry permit requirements are major obstacles for trade unions in their efforts to reach and organise EPZ workers (Ali, 2007). Moreover, EPZ investors are often hostile towards trade unions and express strong opposition to international labour standards (Rosier, 1995; Rosa, 1985). As a result, one danger facing the free trade union movement is the EPZs (ICFTU, 1991). According to the ILO report, collective bargaining and tripartite relations are extremely rare in EPZs. Moreover high labour turnover, absenteeism, stress, fatigue, low productivity and labour unrest are common in the EPZs (ILO 1998). Therefore, the question of labour standards and labour relations continues to be one of the most controversial aspects of EPZs. The international organisations and other actors concerned, including unions and employers should work together to develop proposals for effective policies to promote decent work, investment and trade both in EPZs and more generally in global production systems.

Challenging these problems of globalisation requires action at the global level by the WTO working together with the ILO. The WTO started in 1995 as the successor to the General Agreement on Tariffs and Trade (GATT), an international agreement to reduce tariffs and other barriers to trade. The WTO’s primary functions are to ensure trade flows by negotiating trade agreements and settling disputes; to promote their trade policy issues and provide trade-related training programs in developing countries. The WTO agreements cover goods, services and intellectual property. It also includes individual countries’ commitments to lower customs tariffs and withdraw trade barriers, and to keep services for open markets and set procedures (Verma, 2003). Consequently, the host governments make their trade policies transparent by notifying the WTO about laws in force and measures adopted, and through regular reports by the secretariat on countries’ trade policies (Pollok, 2002).

The WTO is a powerful agency that could enforce labour standards through the Generalized System of Preferences (GSP) programs (Lee, 1997; Elliott and Freeman, 2003). These programs provide duty-free markets for eligible LDC countries, which have taken steps to ensure that workers have international rights. This approach
differs in important respects from the subsequent ILO definition in its Declaration on Fundamental Principals and Rights at Work (Eisenberg, 2005). The US list includes freedom of association and the right to organise and bargain collectively, and the need to stop forced labour and child labour (Lee, 1997; Elliott and Freeman, 2001). The provision of conditional trade sanctions, or the threat thereof, will change the behaviour of a foreign government when that government perceives the costs of the sanction will weight the costs of complying. The workers’ rights condition works reasonably well in GSP programs. Because the target countries are mostly small and poor, and defying, the US demand will have higher costs than complying. The reduction in complaints from countries which largely comply suggests that the process is quite effective (Rodgers and Berik, 2006). Cambodia’s experience is a good example of how LDCs can benefit from the premiums that markets may offer for products that are produced with acceptable labour standards or in environmentally friendly conditions (ILO, 2007).

The existing arrangements of free trade agreements (FTAs) and trade blocs involved 45 countries in Africa, 26 in Europe, 32 in the American hemisphere, and 13 each in the Asia- Pacific and the Middle East regions. At present, only the North American Agreement on Labour Cooperation (NAALC), a side agreement to the North American Free Trade Agreement (NAFTA) and the U.S.-Jordan Free Trade Agreement incorporate labour provisions into the related trade agreement (Spencer, 2002). Examples of many different forms of such labour provisions can be found in trade agreements with the US such as US-Jordan, and North American Free Trade Agreement (NAFTA), with the EU, such as EU-Mercosur, and in regional agreements such as Mercosur (Robert and Katherine, 2003).
Table 13: Approaches to linking Trade and Labour Standards

<table>
<thead>
<tr>
<th>Approach</th>
<th>Pros</th>
<th>Cons</th>
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</thead>
<tbody>
<tr>
<td>Social clause in trade agreement authorising trade measure</td>
<td>Against any violation of labour standard</td>
<td>Not appropriate because most labour violation are in nontrade sectors and trade experts are not competent to resolve labour standard dispute</td>
</tr>
<tr>
<td>NAALC : side agreement on labour</td>
<td>Provides mechanism for problems to be investigated and discussed; enforcement with fines possible for technical labour issues and child labour</td>
<td>Create tiers for labour standards that are inconsistent with international consensus on core labour standards</td>
</tr>
<tr>
<td>US-Jordan FTA : labour standards in main text</td>
<td>Threats trade-related labsours standards violation equally with other potential distortions of trade and investment flows</td>
<td>Labour language so weak as to exert little upward pressure on labour standards</td>
</tr>
<tr>
<td>US FTAs with Chile and Singapore: Labour standards in main text</td>
<td>Provides for equivalent through not identical, dispute settlement procedures</td>
<td>Excludes derogations from labour law to promote exports or attract foreign investment from dispute settlement</td>
</tr>
</tbody>
</table>

FTA = Free Trade agreement, NAAC = North American Agreement on Labour Cooperation.

Table 13 illustrates some of the linkages between regional and bilateral Free Trade Agreements (FTAs) and compliance with the rules and regulations of the WTO (Krohm and Buchheit, 2008). Despite strong incentives to create a framework for economic integration, the countries of South Asia have implementation difficulties (Bhagwati, 2010). For example, the Bangkok Agreement, a preferential trading arrangement, was established in 1975. Member countries are Bangladesh, India, Sri Lanka, China, the Republic of Korea and the Lao People's Democratic Republic. The Bangkok Agreement has recently been revised and renamed the Asia Pacific Trade Agreement (Bhagwati, 2010). The seven South Asian economies signed an agreement
in 1993 to form the South Asian Preferential Trade Area (SAPTA) by December 1995. Since its inception, SAPTA had fallen short (Quigley and Opal, 2006). A lack of enthusiasm, a poor understanding of the benefits to regional integration, and excessive caution, made the processes of negotiation and implementation lengthy and challenging. Instead of devising pragmatic sub-regional integration schemes for the good of all members, SAARC often seemed to be nothing more than a host to discussions, seminars, and conferences held. The government of Bangladesh, in a major policy shift, is now attaching more priority to regional economic and trade groupings like SAFTA and BIMSTEC. Bangladesh now realises the potentiality that the new trading blocs such as SAFTA and BIMSTEC offer, and will not speed up the pace of bilateral trade negotiations in the South Asian region before the formal inception of SAFTA (Das, 2008; Warr, 2005). Thus, Governments will need freedom and flexibility to modify domestic regulatory policies to the needs and particularities of the country and society.

Globalisation is both a challenge and opportunity for developing and underdeveloped country. The world community is responding to this challenge, in part, by developing international legal instruments of trade, finance, environment, human rights and labour standards (Tomlinson, 2009). The ILO and WTO contribute to this by promoting international labour standards and economic development based on Decent Work principles (Tomlinson, 2009). The WTO prescribes special treatment for developing countries to expand global business and improve labour standards (Wick, 2004). The 1996 Ministerial Declaration stated that the WTO would jointly work with the International Labour Organization (ILO) to establish human rights and enforce core labour standards to member countries (Lee, 1997; Elliott and Freeman, 2003). Many developing countries are attempting to improve human rights, labour standards and the environment for trade related reasons. As an example, Vietnam has improved its system to protect workers rights, working closely with the ILO and the UNDP since the early 1990’s. In addition, a Bilateral Trade Agreement which was signed between USA and Vietnam, December 10, 2001, increased trade between the U.S. and Vietnam and combined with large-scale U.S. investment in Vietnam. As per the agreement, the Vietnamese government has encouraged factories owners to improve labour standards in order to acquire the certification issued by an American-based organization that verifies labour standards for Western corporations (Case study 5).
This agreement was an important step into the World Trade Organization. In consequence, the Bangladesh government could take effective initiatives to involve the International Labour Organization (ILO), the World Trade Organization (WTO), Fair Trade organisations, the South Asian Preferential Trade Area (SAPTA), UNICEF, NGOs and other stakeholders to support the establishment of Social compliance for sustainable growth in the RMG.

5.6.1.1 Globalisation and its impact in Bangladesh

This section describes globalisation and its impact on labour standards and the Bangladesh economy. It also discusses quota restrictions and Social compliance. In addition, workers’ rights, child labour, fair labour practices and a safe work environment are related to global demand.

Globalisation has opened up the doors for national economies to access the global open market. It has brought modern technology and facilitated new development and increased competition resulting in changes in behaviour and lifestyle. Since independence in 1971, Bangladesh has faced numerous challenges to rebuild and reconstruct the war-destroyed economy (Rashid, 2006). The new government introduced import substitution, other protective measures such as sanctioning, import licensing, and exchange controls, arbitrary exemptions, subsidized loans, rules and regulations for public and private organizations for reconstruct the country through industrialization (Rhaman, 2004). Consequently, numerous initiatives have been taken on trade reforms through the New Industrial Policy (NIP) since 1976. In 1980, the development of an economic reform program, under the guidance of IMF and the World Bank, gradually shifted Bangladesh to an open economy. To attract foreign direct investment (FDI), the government has revised industrial policy and established EPZ zones (Kumar, 2001). Export Promotion Zones, an important element of export-led growth strategies in many countries, are also a frequent source of concern regarding the effects of globalisation on labour conditions (Rashid, 2006). These are simply industrial zones with special incentives set up to attract foreign investors with complex global supply chains. Foreign investors imports materials (duty free) into the zones, where the materials undergo processing before being re-exported (duty free). Host countries provide manufacturing, cheap labour, tax holidays, and market
holidays. Some countries also relax national labour regulations within the EPZs (Rashid, 2006). There are nine EPZs in Bangladesh such as Adamjee, Dhaka, Uttrar, Comilla, Meghna, Ishwardhi, Karnafuli, Mongla, Feni. EPZs employ 230,000 workers directly and about 400,000 indirectly. Investors from 33 countries including Japan, South Korea, USA, UK, China, Hong Kong, Singapore, Malaysia, Indonesia, Taiwan, Sri Lanka, Mauritius, Thailand, Spain, Panama, Germany, France, Denmark, Belgium, Sweden, Australia, Ireland, Netherlands, Canada, Italy, Switzerland, Ukraine, UAE, India, Pakistan, Nepal and host Bangladesh have already invested in EPZs in Bangladesh (Yusuf, 2008; BEPZA, 2008).

Bangladesh set up her economy in compliance with the WTO rules and regulation. As a member of the least developed countries Bangladesh is facing difficulties in carrying out the existing WTO rules and regulations (Dasgupta, 2000; Kumar, 2001). The most common allegation not only in Bangladesh but also in most developing countries is the violation of labour rights (Shamsuddoa, 2005). Since the 1980s the promotion of labour rights in developing countries has become an increasingly important part of US trade policy (Turner, 1993). As a result, the USA threatened to stop the outsourcing of the production of apparel to Bangladesh because of the use of child labour in the RMG sector. Bangladesh had to ensure the USA that it would follow International Labour Standards and not employ child labour in the future. Some industrial units in the jute, paper, cotton, sugar sectors closed down while the RMG, shrimp, leather and pharmaceutical sectors increased production national and enjoyed increased international demand (Chowdhury, 2006).

With the MFA Phase-out Bangladeshi exporters were no longer protected by quotas restricting imports of textiles and clothing from more competitive countries such as China and India (Chowdhury, 2006). Chinese goods increased, the USA also started to buy more clothes from Caribbean and Sub-Saharan African countries, which have recently been granted customs-free access to this market for their clothes (Iqbal, 2008). At the same time, the USA imposed high taxes on clothes imported from Bangladesh. As a result, hundreds of garments factories closed between 2001 and 2003 (Mahmud, 2003). Bangladesh is now facing serious competition from other garments exporting countries.
5.6.2 Conclusion

Globalisation means expanded trade and increased foreign investment for promoting growth in least developed countries (LDC) as well as demands for trade sanctions to enforce standards and improve working conditions (Rajendra and Torres, 2005). Globalisation brings prosperity and creates employment even before the WTO agenda is implemented. But without standards, globalization disproportionately benefits capital, increases income inequality, and creates a race to the bottom for workers worldwide. Millions of workers are living with the uncertainty that an unregulated global trading system brings. Following the phase out of quotas in textiles and clothing, many employees lost their jobs in developing countries, often in the poorest ones (Shamsuddoa, 2005). At the same time a lot of pressure has been placed on governments to relax labour legislation. For example in the Philippines, smaller companies in textiles and clothing have been exempted from the minimum wage legislation EPZs (Rasmussen, 2005). In Bangladesh, maximum number of working hours per week has been increased to 72, and other flexibilities have been introduced in other countries (Chowdhury, 2006). Many companies put pressure on workers and threaten workers with dislocation to China (Kumar, 2003). As well as not earning enough to live off, workers often have to work in unsafe conditions, are discriminated against or in the worst case scenarios, are forced into slavery or child labour. According to ILO figures, over 2 million workers die every year of work-related diseases and accidents. About 12.3 million people are trapped in forced labour worldwide. Around 250 million children are paid for work. Workers in developing countries are compelled to accept these cruel work practices as their poverty gives them little or no choice (Rasmussen, 2005). Moreover, workers often fear for their jobs (Mayumi, 2006). Over the last decade in the EU nearly one million jobs have been withdrawn in the textile and clothing sector, with that many again expected to be lost in the next 5 years. Many workers in developing countries also anticipate their badly paid jobs either disappearing or being asked to accept even lower wages and worse working conditions. Furthermore the exploitation of RMG workers in Export Processing Zones (EPZs) has expanded dramatically, including low wages, interference of workers trying to get organised, violence and sexual harassment, a high work pace and forced overtime (Mayumi, 2006). Trade union rights are systematically undermined in EPZs (Rasmussen, 2005).
The effects of globalization on labour standards have been positive as well as negative. One negative effect has been, that, although many new industries have been set up, which in turn has increased employment opportunities, most of the companies do not practice the labour standards proposed by the International Labour Organization. As a result of this, workers are being exploited by these companies, especially in developing countries. Many companies exploit labour by not paying the standard wage, making employees work over time without payment, and by providing unsatisfactory working conditions to their employees.

The beneficial effects of globalisation are that the developed countries ensured that when they are setting up factories or outsourcing work, some minimum labour standards follow (Mondal, 2003). While 5% of the several thousand export-oriented factories in Bangladesh are joint ventures based in EPZs (‘bideshi’ factories), 95% are ‘bangla’ factories set up outside EPZs and it is difficult to improve labour standards. In EPZs, at least they provide appointment letters with some benefits, joint ventures provide contractual arrangements but the other 95% (bangla factories) have no appointment letter and do not provide any benefits and leave (Source : Gender and Trade, 2012). They work on verbal appointment with a supervisor. Therefore, research suggests that government, NGOs, buyers and other stakeholders’ effective roles can improve labour standards in the RMG sector.

Many international bodies such as the ILO and UNICEF see to it that companies do not abuse their workers and apply labour standards (Turner, 1993). As a result, in many countries labour standards have improved, for example, Vietnam, Indonesia, El Salvador and Cambodia (Mannig 2003; Nelson, 2006; Morshed, 2007; Manyin, 2008). Also in 1996, the International Labour Rights Fund is an American based group, which launched a campaign to put pressure on Adidas and Nike to stop outsourcing of the production of soccer balls to Pakistan on the ground that the companies in Pakistan were violating labour standards by employing child labour. Recently the Thai Government published Thailand labour standards; TLS 8001-2003, which follow the American developed global labour standards, SA 8000. In addition, the government has also initiated training programs for upgrading labour standards in Thailand (Tait, 2005).
With the present infrastructure, Bangladesh is finding difficulty in meeting the global demand. Therefore, a proposal for effective policies to promote decent work is required. Furthermore, globalisation must be enlightened and accompanied by government led polices to address labour standards and labour rights and fair labour practices. In consequence, international organisations and other actors concerned, including unions and employers should work together to improve working conditions and ensure that workers’ rights are properly addressed and adopt a Code of Conducts for the RMG industry.

5.7 Does the ILO Monitoring System improve Labour Standards? Does it facilitate Decent work?

This section examines the ILO institutional mechanism and monitoring system to improve labour standards. In addition, the ILO Core Conventions and Decent Work program are also discussed.

Labour standards support workers’ rights, fair labour practices and increase better productivity. In particular, the standards are considered fundamental to workers’ abilities to engage in concrete workplace actions to implement sustainable development targets (Bigg, 2002). There is a view that developing countries have difficulties in implementing labour standards (Morshed, 2007). Violations of workers’ rights and core labour standards are generally accompanied by other serious violations of human rights. Indeed labour standards are human rights which are universal in application. Thus institutional mechanisms at the international level are required to defend labour rights (Eddy, 1997). In this manner, the ILO can play a key role by allocating different roles to different stakeholder organisations and by monitoring progress. The ILO is responsible for drawing up and overseeing international labour standards. The ILO legislation over labour issues is better than the WTO. Presently, the ILO also deals with issues such as social policy, human and civil rights. The Fundamental ILO Conventions setting out minimum standards are essential in all workplaces worldwide; workers are to have dignity at work, to be freed from arbitrary discrimination and persecution, and to be able to bargain for reasonable wages and working conditions (Moorman and Yasmin, 2001). In addition, the ILO provides the only functioning supervisory mechanism, and is central to the international legal arrangements for labour standards. International labour standards are monitored by a
supervisory system that is unique at the international level and that helps to ensure that countries implement the conventions they ratify. The International Labour Organisation (ILO) was founded in 1919 to monitor labour standards. The ILO has identified four essential core standards those are referred to as basic human rights. According to Kellweson (1998), the ILO sets out core labour standards in the Declaration of Fundamental Principles and Rights at Work. The ILO core labour standards represent the international consensus on minimum best fair labour practices as well as human rights (ILO, 2006c). These principles are set out in Table 13 below, the Conventions are discussed in Table 14 and the history of ratification is summarised in Table 15 below.

**Table 14: The Four Core International Labour Standards**

<table>
<thead>
<tr>
<th>Four Fundamental Principles</th>
<th>Corresponding ILO Conventions</th>
<th>Convention Ratifications as of June 6, 2003 (of 175 ILO members)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freedom of association and effective recognition of the right to collective bargaining</td>
<td>No. 87: Freedom of Association and Protection of the Right to Organize (1948)</td>
<td>142</td>
</tr>
<tr>
<td></td>
<td>No. 98: Right to Organize and Collective Bargaining (1949)</td>
<td>152</td>
</tr>
<tr>
<td>Elimination of all forms of forced or compulsory labour</td>
<td>No. 29: Forced Labour (1930)</td>
<td>161</td>
</tr>
<tr>
<td></td>
<td>No. 105: Abolition of Forced Labour (1957)</td>
<td>159</td>
</tr>
<tr>
<td>Effective abolition of child labour</td>
<td>No. 138: Minimum Age (1973)</td>
<td>125</td>
</tr>
<tr>
<td></td>
<td>No. 182: Worst Forms of Child Labour (1999)</td>
<td>138</td>
</tr>
<tr>
<td>Elimination of discrimination in respect of employment or occupation</td>
<td>No. 100: Equal Remuneration (1951)</td>
<td>161</td>
</tr>
<tr>
<td></td>
<td>No. 111: Discrimination (Employment and Occupation) (1958)</td>
<td>159</td>
</tr>
</tbody>
</table>

*Source: National Research Council, 2004*

The ILO tries to achieve these standards in two ways. The first is through international conventions (ILO, 2006a). The ILO uses peer pressure to change labour standards in nations viewed as noncompliant with ratified conventions. Member States, Under Article 22 of the ILO Constitution, are obliged to advise the International Labour Office of measures taken to implement provisions of the conventions they have ratified (Cesare, 1996). The second way the ILO tries to
achieve these standards is through the publication and dissemination of information on labour standard violations\(^{34}\) (Maskus, 1997).

### Table 15: Major ILO Conventions on Wages, Hours, and Health & Safety

<table>
<thead>
<tr>
<th>Convention</th>
<th>Number of Ratifications as of June 6, 2003 (of 175 ILO members)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Minimum wages</strong></td>
<td></td>
</tr>
<tr>
<td>No. 26 (1928), Mechanisms to set minimum wages</td>
<td>103</td>
</tr>
<tr>
<td>No. 99 (1951), Mechanisms to set minimum wages in agriculture</td>
<td>53</td>
</tr>
<tr>
<td>No. 131 (1970), Mechanisms to set minimum wages, especially in developing countries, and considering needs of workers and their families and level of economic development</td>
<td>45</td>
</tr>
<tr>
<td><strong>Hours</strong></td>
<td></td>
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<tr>
<td>No. 1 (1919), 8-Hour day, 48-hour week</td>
<td>52</td>
</tr>
<tr>
<td>No. 14 (1921), Weekly day of rest for industrial workers</td>
<td>117</td>
</tr>
<tr>
<td>No. 30 (1930), 8-Hour day, with 10 hours allowed in special circumstances, 48-hour week</td>
<td>30</td>
</tr>
<tr>
<td>No. 47 (1935), 40-Hour week</td>
<td>14</td>
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<tr>
<td>No. 52 (1936), Holidays with pay - superseded by</td>
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<tr>
<td>No. 132 (1970)</td>
<td>54</td>
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<tr>
<td>No. 101 (1952), Holidays with pay in agriculture</td>
<td>46</td>
</tr>
<tr>
<td>No. 106 (1957), Weekly rest in commerce and offices</td>
<td>62</td>
</tr>
<tr>
<td>No. 132 (1970), Holidays with pay, revised</td>
<td>33</td>
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<tr>
<td><strong>Health and safety</strong></td>
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<tr>
<td>No. 155 (1981), Occupational safety and health</td>
<td>40</td>
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<tr>
<td>No. 161 (1985), Occupational health services</td>
<td>22</td>
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<tr>
<td>No. 174 (1993), Prevention of major industrial accidents</td>
<td>9</td>
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</tbody>
</table>

**Notes:** Many additional ILO conventions address working conditions for particular groups of workers (e.g., No. 79, night work of young persons) and particular industries (e.g., No. 167, safety and health in construction). Several conventions also address particular hazards (e.g., No. 162, asbestos; and No. 170, chemicals). All of these have low ratification rates.

**Source:** National Research Council, 2004

The ILO Convention, once ratified by a member State, becomes binding for that country and compliance becomes mandatory. Conventions are not law, but member states pledge to apply the standard in question. These Conventions are ratified by parliament and frequently incorporate important provisions in national laws (ILO,\(^{34}\) For example Pakistan and Nepal Child labour report.)
The ILO regularly examines the application of core labour standards in member states and points out areas where they could be better applied. If there are any problems in the application of standards, the ILO seeks to assist countries through social dialogue and technical assistance (Maskus, 1997).

### Table 16: Ratification of the ILO’s Fundamental Conventions

<table>
<thead>
<tr>
<th>Selected countries, 2007</th>
<th>Elimination of all forms of forced labour</th>
<th>Freedom of association and recognition of the right to collective bargaining</th>
<th>Elimination of discrimination in employment</th>
<th>Abolition of child labour</th>
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<tbody>
<tr>
<td></td>
<td>Fundamental Conventions</td>
<td>Equal Remuneration Convention</td>
<td>Discrimination Convention</td>
<td>Minimum Age Convention</td>
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<td></td>
<td>Forced Labour Convention</td>
<td>Right to Organise and Collective Bargaining</td>
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<td>Abolition of Forced Labour Convention</td>
<td>Conventions</td>
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<td>Conv. 87</td>
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<td>Conv. 182</td>
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<tr>
<td>Total No. of ratifications (members)</td>
<td>172</td>
<td>170</td>
<td>148</td>
<td>158</td>
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<td>Cambodia</td>
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<td>Canada</td>
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*Source: International Labour Organisation, ILOLEX Database of International Labour Standards, September 2007 and Background: Indicators of Investment Climate in Cambodia (World Bank)*

Since the ratification of a Convention by a member government makes it law in the ratifying country, many countries do not ratify Conventions even when they agree, and already generally comply, with the terms of the Convention. The UK was the first
to ratify Convention 87 and 98, during the regime of the Conservative government. Since the 1980s, in almost every year, complaints relating to non-compliance with these conventions have been drawn to the attention of the UK government (Novitz, 2003). Similarly, Australia has ratified six of the eight Conventions. The exceptions are those on child labour. Australia has been found by ILO bodies to be in breach of conventions 87 and 98 in that the Australian Workplace Relations Act (1996) fails to support collective bargaining and unfairly restricts the right to strike, thereby impeding the benefits of freedom of association (Creighton, 1998; Colley, 2003). The ILO’s supervisory bodies have been concerned that Australia’s efforts to protect freedom of association and encourage and promote collective bargaining (Conventions Nos. 87 and 98) fall short of the standards required by these fundamental conventions. The lack of progress towards equal remuneration has also been a concern (Romeyn, 2007). In the most extreme case in Burma (Myanmar) forced labour is routinely used by the military government, increasing exhortations at the governing body level are gradually leading to ILO member States (EU members in particular) to restrict government assistance measures to that country.

Indonesia has ratified all eight core ILO Conventions on Freedom of association and collective bargaining, child labour and the Convention minimum age, forced labour, equal remuneration as well as the Convention on discrimination. Similarly Japan has also ratified both ILO Conventions on freedom of association, and the right to organize and collective bargaining (ICC, 2007). The Vietnam government is gradually ratifying core ILO Conventions. In 2000, Vietnam ratified Convention 182 on the worst forms of child labour. It is considering ratification of Convention 138 on child labour and those on forced labour (Source: US Embassy, 2004). On the other hand Cambodia’s Constitution and the 1997 Labour Code encompass a comprehensive set of labour regulations that reflect the country’s ratification of all eight of the ILO’s core labour standards (ILO, 2007). In summary, Indonesia and Cambodia have ratified all eight ILO Convention, compared with Japan’s ratification of only six (ILO, 2001). The vast majority of ILO member states have ratified all or most of the fundamental conventions. The least number of ratifications of a fundamental Convention is 123 (for No. 138 on child labour) and the most is 160 (for No. 100 on equal pay for men and women). Indeed, the USA stands out, along with New Zealand, among developed countries as not having ratified Conventions 87 and 98. The United
States is unusual in having ratified only three of the eight; it is joined only by Afghanistan, China, Laos, Myanmar, Oman, Qatar, Somalia and the Solomon Islands of which three are failed states (Colley, 2003). Bangladesh has ratified seven of the eight ILO Conventions on freedom of association, the right to organise and collective bargaining, discrimination and equal remuneration, child labour and forced labour. It has not yet ratified ILO convention no. 138 (1973) on minimum age. In spite of this ratification by Bangladesh, the right to form and join unions is not respected in practice, despite numerous ILO criticisms. The right to strike is not recognised by law and workers are regularly sacked, beaten or subjected to specious charges for being active in union activities. Export processing zones fall under a special labour legislation whereby basic rights are not respected. Recent attempts to change the law to permit freedom of association in the zones have been the subject of numerous proposed amendments from compliance with ILO Conventions 87 and 98, which have yet to be acknowledged by the government of Bangladesh (Rahman, Repon and Ahmed, 2006). By comparison, Japan has ratified six out of the eight core labour ILO core conventions on the worst forms of child labour and on minimum age of fifteen. The labour law forbids discrimination in the workforce and provides for equal pay for equal work (ICC, 2007).

The ILO Convention also promotes *Decent Work Agenda* which includes core labour standards through ratification by member states. The ILO core labour standards are international instruments defining a range of human rights at work, to protect workers’ rights and ensure fair labour practices as well as decent work that directly affects labour conditions. The ILO provides support through integrated decent work country programs developed in coordination with ILO constituents (ILO, 2004). Decent work refers the concerns of governments, workers and employers, who together provide the ILO with its unique tripartite identity (Diller, 1999). For example in Morocco the ILO promoted a Decent Work Pilot Program in Textiles and Clothing, which included training on collective bargaining and dispute resolution; occupational health and safety; gender development prevalence of child labour; and management. Similar Decent Work Programs in textiles and clothing are now developed in

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35 Decent work consists of four strategic objectives: fundamental principles and rights at work and international labour standards; employment and income opportunities; social protection and social security; and social dialogue and tripartism.
Romania and the Philippines. In 2004, Madagascar used a similar approach through decent work promotion. In Haiti, an ILO project was implemented by the employers’ organization between 2000 and 2004 to raise productivity, encourage productive investment and improve working conditions in the TC industry (ILO, 2005). In Sri Lanka with the support of the ILO launched the Factory Improvement Program, which was designed to build up the capacity of factories to comply with international labour standards and to increase their competitiveness. In Turkey, a training project was conducted by the ILO, in relations to support TC companies increase productivity and improved working conditions (ILO, 2005). In the RMG sector, ILO monitoring system and Decent Work Program could be useful in establishing Social compliance.

5.7.1 Conclusion

Workers have certain rights, recognized by the state, which protect against discriminatory labour practices. In Bangladesh, violations of workers’ rights in the RMG sector are common. In fact, working conditions in the Bangladesh RMG sector do not meet the ILO standards. As a result, the international community, foreign buyers and other stakeholders continue to apply pressure to improve working conditions in Bangladesh. To ensure labour standards in the RMG industry, institutional mechanisms and effective rules and regulations are required. Thus government needs to adopt policies for the RMG sector. In addition, the ILO and WTO and stakeholders must encourage the government to implement these policies. The ILO’s unique tripartite approach ensures that governments, employers, and workers support these standards. Many critics argue that there is no assurance that linking labour standards with trade ensures labour rights in poor countries. The USA is one of the main proponents of free trade, encouraging developing countries to globalize trade but does not itself follow WTO rules and regulations. The WTO, WB and the IMF do not address labour rights and labour standards in the USA but globalization challenges and solutions rely on state regulatory power. Moreover, it is very difficult to allocate roles and responsibilities of involved agencies such as international organizations, government, stakeholders, buyers, trade organizations and labours to establish Social compliance in the RMG sector. Ashly, Rob and Campbell

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36 Usually international labour standards are applied through national law and policy (ILO, 2005).
argue that as the ILO, WTO and international governmental regulation is not well developed so HRM practices are increasingly important to manufacturing industries (Ashly, Rob, Campbell, 2007 quoted from Gill Palmer, HRM practices). The ILO has the right approach, relying on voluntary participation, transparency, tripartite social dialogue and capacity building to achieve its objectives. The ILO core labour standards adopted from the HR and IR philosophy guarantee an ethical standard. In addition, the Code of Conduct upholds a certification system and encourages its members to ratify and implement core labour standards according to its Conventions (Moazzem, 2005). The ILO relies on peer pressure on member countries to develop and implement its activities. There is an urgency to improve working conditions so that workers feel comfortable in the work place but the core problem is the enforcement of labour standards. Continued efforts need to be made to enforce core labour standards in the RMG sector, through the use of different instruments currently available. The ultimate guarantee of core labour standards is the potential will to achieve this on the part of the country, reflected in actual policies and programs. Therefore, governments, the ILO and other stakeholders should adopt a Code of Conduct to promote decent work. More importantly, there is a need to monitor beyond core labour standards and to promote the Decent Work Agenda more widely, with a focus on labour rights, labour standards, particular safety and health issues, minimum wages, child labour, excessive working hours and fair labour practices. These are multi-task initiatives, which could be achieved through an effective monitoring system.

5.8 To what extent can Non-governmental Monitoring Systems improve Social compliance?

This section describes to what extent non-governmental monitoring system could improve working conditions. It focuses on organizations playing a role in monitoring activities such as product certification, Code of Conduct, information on Working Environment and the publication and the dissemination of reports.

Compliance means conformity with standards. It represents a relevant and useful set of guidelines to ensure the profession of management continues to play a vital and
ethical role in business. Social compliance\textsuperscript{37} is a Code of Conducts that ensures minimum labour standard, occupational safety measures and environmental concerns. International workplace-quality standards based on the concept of social accountability, has as its major objective, to ensure the application of ethical practices in the hiring and treatment of employees and in the production of goods and services. In order to attain this standard, the importers may put pressure on their suppliers by selecting only these suppliers that implement the standard (Baral, 2010).

Usually a Social compliance program based on adherence to the rules of social accountability is established by certified conformance to standards such as Social Accountability 8000 (SA8000). SA 8000 certification provides assurance that the goods or services produce and deliver in accordance with a commonly accepted and socially acceptable set of values (Redfern and Snedker, 2002). The USA based Social Accountability International (SAI) relies on the Codes of Conduct affirmed by the International Labour organization (ILO), the Universal Declaration of Human Rights, and the UN Convention on the Rights of a Child (Posner and Nolan, 2002). The basic principles Social Accountability International (SAI) are transparency, credibility, and verification, and it has become a global ethical standard which is appropriate for any type of organization regardless of the country, industry, or size. Although it is not an International Organization for Standardization (ISO) standard, SA8000 is modelled on similar accreditation and certification schemes, and provides the requirements and audit methodology to evaluate and improve workplace conditions (Redfern and Snedker, 2002).

However, Social Accountability standards developed by international organizations such as the Fair Labour Association (FLA), the Worldwide Responsible Apparel Production (WRAP), the Council on Economic Priorities Accreditation Agency (CEPAA), the Ethical Trading Initiative (ETI) and Business for Social Responsibility (BSR) (Das, 2009). Each program has a Code of Conduct, which is largely developed from the ILO core labour standards and a system for accrediting external organizations to monitor compliance with the code (Bartley, 2001). The Fair Labour

\textsuperscript{37} Social compliance in the RMG sector generally defined by the building standard of the factories, working conditions, workers rights, workers’ health and safety measures, and environmental safety issues.
Association (FLA) originally focused only on the apparel and footwear industries but has recently expanded to cover other industries (FLA, 2003). Similarly, the Worldwide Responsible Apparel Production (WRAP) Program was formed its own Code of Conduct such as FLA and SA8000 and began certifying factories in June 2000 ((Wick, 2004; Maquila Solidarity Network, 2001a). The Ethical Trading Initiative (Wick, 2004), is an alliance of companies, NGOs, and trade unions working to identify and promote good practice in the implementation of Codes of Conducts of labour practice, including the monitoring and independent verification of the observance of code provisions (ETI, 2001; ETI 2006).

Table 17: U.S. - Based Nongovernmental Monitoring and Certification Systems

<table>
<thead>
<tr>
<th>Standard</th>
<th>Fair Labour Association (FLA)</th>
<th>SA 8000</th>
<th>Worldwide Responsible Apparel Production (WRAP)</th>
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<tr>
<td>Scope</td>
<td>Apparel and footwear companies; licensees of affiliated universities.</td>
<td>Factories producing a wide range of products.</td>
<td>Apparel industry.</td>
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<td>Governance</td>
<td>12 Member board with 6 industry representatives, 5 NGOs, 1 university representative.</td>
<td>Governing board has 5 members, composed of 1 representative from Council on Economic Priorities, 3 lawyers, and 1 business person. SAI also has an advisory board with more diverse membership.</td>
<td>Board of 3 officers and 8 directors form the Independent Certification Board, primarily industry representatives.</td>
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<td>Monitoring process</td>
<td>Companies must conduct internal monitoring of at least one-half of their applicable facilities during the year.</td>
<td>Manufacturers or suppliers are granted the status of applicants for 1 year until they are verified</td>
<td>Factories must undergo a three-step process: self-assessment, independent assessment, and certification.</td>
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38 The Fair Labour Association (FLA), convened originally by the Clinton administration in 1996 as the Apparel Industry Partnership (AIP), is both the oldest and most controversial of current initiatives to establish monitoring and verification. The FLA originally focused only on the apparel and footwear industries but has recently expanded to cover other industries that produce university-logo goods (Eisenberg Jeffrey, 2005; Brittan S., 2005). The FLA worked closely with the companies and with the Worker Rights Consortium to pressure factory managers to respect worker rights, and in March 2003 the union and factory management signed a collective bargaining agreement (Maquila Solidarity Network, 2003). The FLA has also increased its public disclosure, publishing tracking charts that summarize audit results from 50 factories on its website in June 2003. Although the tracking charts do not reveal factory locations, they do identify the company, the country, the type of product, and number of workers employed. The charts also describe the labour rights problems identified in the audits and corrective actions (Maitland, 2003; Fair Labour Association, 2003). Publication of this information increases the transparency of the major companies’ labour practices (Maquila Solidarity Network, 2003). Finally, the FLA has increased its efforts to work with member companies, local factory managers, and unions to address problems identified by external audits.

39 Social Accountability 8000 - SA8000: Social Accountability 8000 (SA8000) has been developed by Social Accountability International (SAI), known until recently as the Council on Economic Priorities Accreditation Agency. SAI is a non-profit affiliate of the Council on Economic Priorities (CEP). SA8000 is promoted as a voluntary, universal standard for companies interested in auditing and certifying labour practices in their facilities and those of their suppliers and vendors. It is designed for independent third party certification. SA8000 is based on the principles of international human rights norms as described in International Labour Organisation conventions, the United Nations Convention on the Rights of the Child and the Universal Declaration of Human Rights. It measures the performance of companies in eight key areas: child labour, forced labour, health and safety, free association and collective bargaining, discrimination, disciplinary practices, working hours and compensation. SA8000 also provides for a social accountability management system to demonstrate ongoing conformance with the standard.
Factories commit to use independent external monitors accredited and selected by the FLA to conduct periodic inspections of at least 30 percent of their facilities during their initial 3-year participation period. By an accredited certification auditor. The SA8000 certificate must be renewed every 2 years. Specially trained local audit teams will be briefed by local NGOs and unions to speak to managers and workers, and check the records of the factories. The SA8000 guidance document is the SAI manual, which assists the accredited auditors in fulfilling this task. NGOs are also encouraged to undergo the process of becoming accredited SAI auditors. Factories self-select for certification. Identify areas for corrective action before such a recommendation can be made. Factories self-select for certification. The WRAP certification board will review the documentation of compliance and decide upon certification. The term of certification will be specified by the board, based on criteria of risk factors. Over the term of the certification, the facility may or may not receive an unannounced inspection to verify continued compliance.

Factories are selected by FLA staff, with a focus on the largest and those with greatest risk of noncompliance. All monitoring must involve local NGOs. Monitors will use a combination of announced and unannounced visits. Specially trained local audit teams will be briefed by local NGOs and unions to speak to managers and workers, and check the records of the factories. The SA8000 guidance document is the SAI manual, which assists the accredited auditors in fulfilling this task. NGOs are also encouraged to undergo the process of becoming accredited SAI auditors. Factories self-select for certification. Identify areas for corrective action before such a recommendation can be made. Factories self-select for certification. The WRAP certification board will review the documentation of compliance and decide upon certification. The term of certification will be specified by the board, based on criteria of risk factors. Over the term of the certification, the facility may or may not receive an unannounced inspection to verify continued compliance.

Certification means that a facility has been examined in accordance with SAI auditing procedures and found to be in conformance. Auditors look for evidence of effective management systems and performance that prove compliance. Certified facilities are subject to semi-annual surveillance audits. Certification means that a facility has been examined in accordance with SAI auditing procedures and found to be in conformance. Auditors look for evidence of effective management systems and performance that prove compliance. Certified facilities are subject to semi-annual surveillance audits. The WRAP certification board will review the documentation of compliance and decide upon certification. The term of certification will be specified by the board, based on criteria of risk factors. Over the term of the certification, the facility may or may not receive an unannounced inspection to verify continued compliance.

Factories contract and schedule selected independent monitors to perform on-site evaluations. Based on this evaluation, the independent monitor will either recommend that the facility be certified. Factories contract and schedule selected independent monitors to perform on-site evaluations. Based on this evaluation, the independent monitor will either recommend that the facility be certified. Factories contract and schedule selected independent monitors to perform on-site evaluations. Based on this evaluation, the independent monitor will either recommend that the facility be certified.

**Table 17** compares and contrasts the extent to which U.S. - Based Nongovernmental Monitoring and Certification Systems uphold various sub-standards of the Code of Conducts including FLA, SA8000 and WRAP.

The fundamental principles of the Code of Conduct (COC) have been adopted from the principles of international human rights norms as outlined in International Labour Organization Conventions, the United Nations Convention on the Rights of the Child and the Universal Declaration of Human Rights. These are as follows: child labour, forced labour, health and safety, compensation, working hours, discrimination, discipline, free association and collective bargaining, management systems (Jenings, Maillard and ILO, 2000). The European Parliament recommended a number of instruments, including the ILO Declaration of 1998, which approves and encourages voluntary initiatives for promoting COC and taking up minimum international standards, should be developed for European businesses. Following that, the European Parliament adopted a Resolution on EU Standards for European Enterprises operating in developing countries in January 1999, based on a report by the Committee on Development and Cooperation (Wick, 2004). Similarly, the American Apparel Manufacturers’ Association also developed a code, with a relatively detailed implementation structure by following pressure from the U.S Government. The Canadian Government prepared a guide in association with the social partners for the elaboration of voluntary codes, which provides an eight-stage model. On the other hand, the British Government is participating actively in the development of an Ethical Trading Initiative. The Governments of Australia and New Zealand have structured similar guides (Jenings, Maillard and ILO, 2000). Most of the initiatives incorporate Codes of Conduct that center around the ILO core labour standards, together with a number of other key issues such as health and safety, wages and hours, and fair labour practices (Posner and Nolan, 2002). Codes of Conduct ensure that the basic human rights of the workforce are protected, in order to satisfy and respect social values (Baral, 2010). Despite the fact that the ISO and SAI fundamental principals are adopted from the Code of Conduct, they ensure human rights and labour rights as well as product standards (Richard, Locke, Qin and Brause, 2007).

Many organisations have projects to monitor the Code of Conducts in improving working conditions. The ETI has conducted pilot projects in a number of countries, including apparel factories in Sri Lanka (Brill, 2002). The Dutch started the Fair Wear Foundation (FWF) with associations of small and medium-sized enterprises to oversee the implementation of a standard code of conduct. The FWF has conducted pilot studies in India, Poland, Romania, and Indonesia to test its monitoring and
verification procedures (Brown, 2000). Similarly, the London-based MFA Forum, an association of multinational companies, international buyers, trade unions, development partners and NGOs has developed a draft Code of Conduct for Social compliance (Baral, 2010) in the RMG sector to put pressure on the authorities concerned to strengthen the monitoring mechanisms to ensure compliance with social and labour standards (Khan, 2006). In response, the Bangladesh government formed a Social Compliance Forum (SCF) and constituted two task forces on Labour welfare and Occupational safety in RMG. The government also formed a Compliance Monitoring Cell (CMC) to encourage compliance in the RMG sector. In addition, BGMEA has also its own Compliance Cell with 39 officials trained by different stakeholders visiting factories on a regular basis. With respect to the tripartite MOU (Memorandum of Understanding) BGMEA monitors started visiting factories to measure Compliance and to ensure the implementation of minimum wages and other basic labour rights and to monitor the application of Labour Law (Choudhury and Hussain, 2005). Despite tripartite a agreement between the government, factory owners and workers that provides for appointment letters, regular payment of wages and overtime by the first week of every month, and maternity leave, these factories still do not abide by the minimum wages decided by the commission (Choudhury and Hussain, 2005). A BGMEA surveillance team found 419 factories had failed to comply with the tripartite agreement and BGMEA is committed to implementing all legitimate rights and privileges of garments workers in the areas of heath, safety and welfare (EPB, 2007). Ignoring the decision of the commission clearly indicates the arrogance of owners and their powerful connections. The recent garments workers unrest at Uttara and Ashulia (in Dhaka) resulted from no payment of wages to the workers for three months. Workers demonstrated in the streets demanding payments of their wages but they brutally treated by the law enforcing agencies, hundreds of workers were injured and one female worker killed. Moreover, the police have lodged cases against hundreds of garments workers while the factory owners remain untouched (Daily Prothom Alo, 20 June 2010). As a result, workers are frightened of police harassment. This leads to hostility between employee and employer. Many international buyers now decline to purchase RMG product from Bangladesh and consider that Garment products are produced in abusive and exploitative
conditions which do not adhere to labour rights, labour standards\textsuperscript{40} and acceptable working conditions. In order to export RMG products, not only is quality important, but so is the working environment in which the garments are produced. At present in Bangladesh, compliance is a more important factor in achieving a garments export order than product quality (Baral, 2010).

However, international buyers need to know about the manufacturing system, working environment and working conditions and whether the RMG products are produced in abusive conditions or not (Dasgupta, 2000). In countries where there is little state monitoring, that information may be the only information gathered on standards compliance. This standard, and broader efforts for corporate disclosure, could strengthen and help to standardize existing codes and monitoring systems (Brown, 2000). The nongovernmental monitoring systems collect, analyze, and make public different types of information. For example, the WRC is increasingly focusing on remediation processes, working with universities and buyers and workers’ organizations to negotiate solutions to problems raised by workers but it does not certify company compliance with a Code of Conducts, conduct systematic monitoring, or accredit monitors (Brown, 2000). The WRC is committed to full public disclosure of monitoring results. The first WRC report of the Kukdong garments factory (now known as Mexmode) in Puebla, Mexico- is considered a major success, as the process has brought about in factory conditions and pay, the formation of an independent union, and the signing of a collective bargaining agreement (Núñez, 2001). The United Nations promotes voluntary codes and reporting systems through the Global Compact, which is not a regulatory instrument, but a value-based platform designed to promote institutional learning. The Global Reporting Initiative (GRI) sets a global standard for corporate reporting; creating a system analogous to financial reporting procedures for environmental and social issues (Brown, 2000). Recently Adidas published a report disclosing the country locations of supplier factories, which were audited and the number of contracts terminated due to failures to comply with the company’s code. Nike also published a corporate responsibility report in line with the GRI reporting guidelines. In the Bangladesh RMG sector, one of the major

\textsuperscript{40} Internationally accepted labour standards are those included in the concept of decent work introduced by the ILO in 1999, and they focus on wages, working hours, overtime, health and safety, job security, the right to form trade unions and environment security.
limitations as regards compliance is the lack of available information, which hinders assessment of compliance in the country. Recently, BGMEA and BKMEA have initiated a database on the compliance standard of RMG units, which is a welcome initiative. But the data base does not provide current update and accurate information. Overall there is a deficiency of information as regards compliance standards in the RMG sector (World Bank, 2006). Therefore, the research suggests capacity building for strengthening the monitoring system and facilitating dissemination of best fair labour practices in the sector.

5.8.1 Conclusion

Monitoring has significantly improved compliance in manufacturing industry. Usually monitoring is unsystematic, with some gaps, no transparency, no sanctions for poor monitoring, and potential conflicts of interest of monitors. Somewhat surprisingly, it has increased levels of compliance especially in Cambodia’s Better Factories Program (Esbenshade, 2000: p.5). Many critics suggest that nongovernmental factory visits are too infrequent to evaluate normal day-to-day operations. NGOs will not be able to duplicate national labour inspectorates, as they cannot provide full coverage for all factories (Justice, 2001). Some critics suggest that companies are controlling these processes, coopting NGOs by changing them from watchdogs to partners, and undermining strong local laws and unions (Justice, 2001: p.6). Having NGOs play the role of regulators may also ultimately undermine traditional regulatory processes (Nadvi, 2008; ILO, 1998). In Central America, some observers disagree with this assessment, arguing that NGO monitoring has supported union campaigns in El Salvador and Guatemala (Quinteros, 2001). NGOs appear to have superseded the unions’ role as worker representatives by discussing wages and working conditions with factory managers, a process that will actually help powerful companies to avoid union organizing, enforceable collective agreements, and government monitoring (Compa, 2001: p.30). Many unions and NGOs are also exploring multi-stakeholder initiatives such the World Bank, UNDP, Nike and Gap released its first Social Accountability Report detailing the conditions in some of its contract factories, which is an important step in the area of public disclosure for corporations (Jauch and Keet, 1996). Many critics note that codes and monitoring could create trouble for workers through monitoring reports that lead firms to lose contracts because of poorly
performing factories, leading to job losses and reduced overtime in the factory to comply with a Code of Conducts. Workers may also be punished after complaining to auditors, as these systems often have limited protections for workers who complain (Esbenshade, 2001; Liubicic, 1998). Nongovernmental monitoring faces many challenges as traditional government monitoring and enforcement, including coverage, training and capacity of inspectors, incentives of monitors, corruption and so on (Wach and Nadvi, 2000). Obviously, there are a number of weaknesses and challenges for nongovernmental monitoring systems. They have the potential to generate valuable information for the evaluation of compliance with international labour standards. However, with strategic policies and coordinated efforts, nongovernmental monitoring system could instead move toward more credible, transparent, accountable and effective systems.

5.9.1 Did Nongovernment Monitoring improve Working Conditions in the case of Nike and the Footwear Industry?

The Nike case was significant in improving working conditions through a non-governmental monitoring system as discussed in this section. In addition pressure from NGOs and advocacy groups to motivated Nike to introduce COC and monitoring systems. The process discussed in this section.

Corporate Codes of Conduct and various efforts aimed at monitoring compliance with these codes have been initiated around the world (NRC, 2008). Monitoring efforts started by effecting corporate or supplier compliance with national regulations and laws, working hours, wages, over time they have increasingly focused on compliance with private, voluntary Codes of Conducts (Richard, Locke, Qin and Brause, 2007). In a significant case Nike suggested that working conditions and labour rights could be improved through the adoption of a systematic approach.

Nike is one of the largest athletic shoe brands in the world. While the company sells millions of shoes and pieces of clothing each year, it does not produce any of these products. Instead, the company contracts with manufacturing facilities located throughout the world. Nearly 800,000 people work in these factories, located primarily in Asia particularly in Indonesia, China, and Vietnam (Beach, 2010). Nike
has been criticised for working conditions and low wages at these factories and it has been said that the company is profiting from sweatshop labour (Bambi, 2008).

Following pressure from the public and human rights groups’, Nike established a Code of Conducts on labour and environmental practices for its suppliers in 1992. The Code of Conducts now covers more than 900 factories with more than 650,000 workers around the world (Turner, 2008).

Table 18: Codes of Conduct

<table>
<thead>
<tr>
<th>Standard</th>
<th>Fair Labour Association (FLA)</th>
<th>SA8000</th>
<th>Worldwide Responsible Apparel Production</th>
<th>Workers’ rights Consortium (WRC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Child labour, minimum age</td>
<td>15 or 14 if country of manufacturer allows or age for completing compulsory education.</td>
<td>15 or 14 if meets developing country exemption, or local minimum age if older.</td>
<td>14 or age for completing schooling or minimum age established by law,</td>
<td>15 or 14 if consistent with ILO practices for developing countries.</td>
</tr>
<tr>
<td>Harassment and Abuse</td>
<td>No employee shall be subject to any physical, sexual, psychological, or verbal harassment or abuse.</td>
<td>No corporal punishment, mental or physical coercion, or verbal abuse; no sexually coercive or exploitative behaviour.</td>
<td>No harassment, abuse, or corporal punishment in any form.</td>
<td>No employee shall be subject to any physical, sexual, psychological, or verbal harassment or abuse; no corporal punishment.</td>
</tr>
<tr>
<td>Non-discrimination</td>
<td>No discrimination in hiring, salary, benefits, advancement, discipline, termination or retirement, on basis of gender, race religion, age, disability, sexual orientation, nationality, political opinion, or social or ethnic origin.</td>
<td>No discrimination in hiring, compensation, access to training, promotion, termination, or retirement based on race, caste, national origin, religion, disability, gender, sexual orientation, union membership, or political affiliation.</td>
<td>No discrimination on basis of personal characteristics or beliefs; question about discrimination based on seniority.</td>
<td>No discrimination in employment, including hiring, salary, benefits, advancement, discipline, termination, or retirement, on the basis of gender, race, religion, age, disability, sexual orientation, political opinion, or social or ethnic origin.</td>
</tr>
<tr>
<td>Freedom of Association and Collective Bargaining</td>
<td>If right restricted by law, employer shall not seek state assistance to prevent workers exercising right to freedom of association.</td>
<td>If right restricted by law, employer facilitates parallel means for free association and bargaining.</td>
<td>Lawful rights of free association, including right to join or not join an association.</td>
<td>No employee shall be subject to harassment, intimidation, or retaliation in efforts to freely associate.</td>
</tr>
<tr>
<td>Health and Safety</td>
<td>Safe and healthy working environment is required. Standard also applies to employer-operated facilities apart from production facilities (e.g., housing).</td>
<td>Safe and healthy working environment is required. If provided, housing should be clean and safe.</td>
<td>Safe and healthy working environment is required. If provided, housing should be clean and safe.</td>
<td>Safe and healthy working environment is required.</td>
</tr>
<tr>
<td>Wages</td>
<td>Local minimum wage or prevailing industry wage, whichever is higher, and legally mandated benefits.</td>
<td>Legal or prevailing industry wage and meet basic needs and provide discretionary income.</td>
<td>Legal minimum wage.</td>
<td>Legal minimum wage and benefits. WRC code requires paying a living wage.</td>
</tr>
<tr>
<td>Standard</td>
<td>8 hours per week and 12 hours overtime or the limits on regular and overtime hours allowed by the law of the country; 1 day off in every 7.</td>
<td>48 hours per week and 12 hours overtime maximum. At least 1 day off in every 7-day period. Overtime work reimbursed at a premium rate.</td>
<td>Legal limitations of apparel production; 1 day off in every 7-day period, except as required to meet urgent business needs.</td>
<td>Limit of working hours (a) 48 hours per week or (b) at least 1 day off in every 7-day period, as well as holidays and vacations.</td>
</tr>
</tbody>
</table>


Table 18 illustrates how the standards in the Code of Conducts are related to these standards in the various models used to develop the Nike Code of Conducts. These are
Fair Labour Association (FLA), SA8000, Worldwide Responsible Apparel Production (WRAP) and Workplace Research Centre (WRC), respectively. The resultant Nike Code of Conducts as detailed in Appendix – E.

Nike was one of the first companies in the apparel and footwear industries to develop an internal compliance division. Supplier compliance with the code is monitored through a program of internal evaluation conducted first by Nike staff and then reviewed by external accounting, health and safety, and environmental consulting firms. Nike included its own on-staff team of nearly one hundred Inspectors for performing inspections of the company’s partner factories. Inspectors scored the factory on factors ranging from employee safety to humane working conditions. Moreover, the Nike Company allowed frequently factory inspections from the Fair Labour Association and set up independent monitoring with both US and international organizations (Turner, 2008).

In addition Nike has also developed internal monitoring tools, such as SHAPE (Safety, Health, Attitude of Management, People Investment, and Environment) Audit and MESH (Management, Environment, Safety, and Health) Program that allow the company jointly evaluation of labour and environmental issues in relation to management practices and training. MESH resembles the 14000 Management Auditing Program of the International Organization for Standardization further by evaluating actual factory performance. High scorers often receives more lucrative orders, while low scorers risk losing contracts. Nike introduced these labour and environmental programs on long-standing quality control management systems for evaluating and ranking subcontractors. Requirements to improve labour conditions simply extend the scope of commitments agreed to in the Code of Conducts and subcontractor memorandum of understanding (Turner, 2008). Simultaneously Reebok and Adidas, Nike’s main competitors, along with many other prominent footwear and apparel firms, have established similar programs that combine in-house assessment with external audits. Reebok, for instance, has established a worldwide Human Rights Production Standards Factory Performance Assessment System. Adidas also set up standards of engagement for fair labour practices and health, safety, and the environment for its sub-contractors. Companies such as Nike, Reebok, and Adidas now repeatedly rate their subcontractors for environmental and labour performance
through these auditing tools. In particular, the standards are considered fundamental to workers’ abilities to work, workplace safety and environment, labour standards, wages (Nike) engages in concrete workplace actions to implement sustainable development targets (Bigg, 2002). There is some evidence that Nike, Reebok, and Adidas have cancelled some contracts due to a poor working environment and inadequate labour standards (Richard, Locke, Qin and Brause, 2007). In fact, Nike was motivated to introduce a Code of Conducts and a monitoring system by external pressure from NGOs and other advocacy groups. Nike developed its own internal standard, recruited and trained a professional staff, and implemented a monitoring system (Amin, 2011). Simultaneously, Nike’s efforts to improve product quality and develop management practices complemented its efforts to improve monitoring and labour standards.

5.9.2 Conclusion

In conclusion, the Nike case suggests that a non-governmental monitoring system could improve labour standards and the working environment. Nike made efforts to improve working conditions for its contracted workers by introducing COC and developed internal standards through specially recruited and trained professional staff. These staff monitors the working environment and examines the Code of Conducts in order to verify products certification. As a result, working conditions in the Nike and Footwear industry have improved. In the RMG sector, a Social compliance Certification System could be offered through buyers to promote and certify lawful, humane and ethical working conditions in manufacturing processing, and the working environment.
Chapter 6

6.0 Case study on Working or Labour Conditions in some countries

This chapter discusses several case studies relating to decent work and fair labour practices. It also examines collaboration with employers, stakeholders and multinational agencies which can be effective in implementing decent work and fair labour practices through international pressure and bi-lateral agreements. Moreover, it also highlights the role of workplace agreement in particular Australia fair work in addressing best labour practices. Finally, it also compares and contrasts working conditions between Cambodia and the Bangladesh Garments Industry.

6.1.1 Case study 1, How a Bi-lateral Agreement in Maquila Manufacturing Factories in El Salvador led to an Independent Monitoring System improved Working Conditions in El Salvador.

El Salvador (Spanish: República de El Salvador, literally meaning Republic of the Savior; original name in Nahuatl was Cōzcatlān) is the smallest and also the most densely populated country in Central America. It improved the working conditions within short period.

In El Salvador, there are 85,000 workers in 229 maquila factories sewing 634 million garments valued at over $1 billion a year for export to the U.S. El Salvador is the eighth largest exporter worldwide of apparel to the U.S. The notable success has been done with the U.S.-Central America-Dominican Republic Free Trade Agreement (CAFTA-DR), implemented between El Salvador and the United States on March 1, 2006. Thus, the agreement provides El Salvador preferential access to U.S. markets including textiles and apparel, shoes, and processed foods are among the sectors that benefit. CAFTA-DR provides trade benefits as well as trade capacity building, particularly in the environment and labour areas, and a framework for additional reforms on issues such as intellectual property rights, dispute resolution,

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41 Maquila is a manufacturing plant that imports and assembles duty-free components for export. The arrangement allows plant owners to take advantage of low-cost labour and to pay duty only on the “value added”—that is, on the value of the finished product minus the total cost of the components that had been imported to make it. (source: Encyclopedia Britannica)
and customs that will improve El Salvador’s investment climate (Source: Bureau of Western Hemisphere Affairs, 2010).

In some cases, an international pressure on specific firms may also have contributed in improving working conditions. For instance, the Mandarin International factory in El Salvador becomes the first offshore Maquila assembly plant producing for export to the North American market to open its doors to independent human rights organizations to monitor compliance with fundamental human and workers’ rights protections. An agreement signed in El Salvador on March 22, 1996 by the Mandarin Company and the local human rights organizations also calls for the rehiring of fired unionists and other workers dismissed during a lengthy labour-management dispute over working conditions in 1995. In line with an Independent Monitoring Committee was comprised of:

a) The Jesuit University of Central America (UCA) Human Rights Department;
b) The Catholic Archdiocese Human Rights Office, Tutela Legal;
c) The Centre for Labour Studies in El Salvador which will observe working conditions in the Mandarin International factory.

Following that, the Committee found that, as a significant achievement for the people of El Salvador and the U.S. guaranteeing respect for human and workers’ rights is good for everyone. As a result, Mandarin becomes the first maquiladora factory anywhere in the world in which there is a program of monitoring by independent human rights organizations. Independent monitoring is now a concrete reality in operation on the ground in El Salvador. This gives us a model and the experience to extend independent monitoring to other countries and industries (Source: the National Labour Committee, 1996; Bureau of Western Hemisphere Affairs, 2010).

In summary of working conditions in El Salvador, numerous Labour laws exist to protect the workers rights. Some of these laws are enforced more than others. Workers are on the job 6 days a week, for 8 hours a day. Usually they are paid for 7 days (56 hours) of work each week. Employers are required to provide 1 month’s wage per year as a bonus to workers, and also entitled 2 weeks of paid vacation a year. Generally forced labour is prohibited by law, in cases of calamity or national
emergency the government can make exceptions. Child labour is constitutionally prohibited. Children below the age 14 are not allowed to enter the workforce and minors up to age 18 may work no more than 6 hours a day with permission from the Ministry of Labour if their employment is indispensable to either themselves or their family (Source: Bureau of Western Hemisphere Affairs, 2010). A tripartite commission (consisting of Members of Government, Labour, and Business) fix up wages but it varies depending on the industry (Source: Bureau of Western Hemisphere Affairs, 2010). Workers are guaranteed the right to form organization without the threat of harassment or discrimination (Source: the National Labour Committee, 1996; Bureau of Western Hemisphere Affairs, 2010).

6.1.2 Case study 2, Can Threat or international pressure reform and improve Working Conditions: Indonesia is the best example?

There are about 95 million work forces in Indonesia, two-thirds of which is between the ages of 15 and 34, and two-fifths of them are women. The labour force was distributed approximately as follows: agriculture (45 percent); trade, restaurant, and hotel (19 percent); manufacturing (11 percent); transport and communications (5 percent); and construction (4 percent) in 1995. The manufacturing workforce is skilled in the basics but undereducated (Manning, 2003).

The Indonesian government has made a tremendous effort to integrate with the world economy over the past two decades. Indonesia’s trade and investment policy malformed from limited import substitution strategy towards export promotion after the oil bust in the mid-1980s (Pangestu, 1993). Integration brought benefits and costs while export promotion brought attention to Indonesia's working conditions in the 1990s. In fact, Indonesia suffered financial crisis since 1997 Asian crisis, which led to substantive trade liberalization reforms as part of meeting IMF conditions. After nearly a decade of strong inflows, foreign investment sharply reversed. Government initiatives for trade policy, sets up minimum wage, allow joining in the union and skilled manufacturing workforce was remarkable. Indonesia was on of the first countries in the Uruguay Round negotiations to ratify the WTO, and agreed to one of the highest proportions of tariff bindings in the world (Pangestu, 1993). At present, Indonesia is an important exporter and importer in Southeast Asia and the world.
(Manning, 2003). Indonesia has developed a labour code that meets a number of international labour standards. The ILO and the U.S. government criticized Indonesia for violating labour standards in the late 1980s, contributing to Indonesia increasing workers’ statutory rights and facilitating collective bargaining (Cox, 1996). The new government Bacharuddin Jusuf Habibie succeeded, Suharto moved in May 1998, quickly to ratify the entire core ILO conventions between June 1998 and May 1999 (Suryahadi, 2003). As a part of decent work, the ILO monitoring mechanism in Indonesia also provides technical assistance to governments, employers and workers’ organisations. The ILO assisted the Ministry of Manpower and Transmigration in their efforts to reform the labour laws, and have launched a technical cooperation project on Freedom of Association and Collective Bargaining that is part of the global campaign on the promotion of the Declaration on Fundamental Principles and Rights at Work (Kühl, 2003). The ILO Bureau for Workers’ Activities is implementing a workers’ education project for Indonesia. Many training activities have already been accomplished (Kühl, 2003). Consequently, the government established minimum working standards, including outlawing employment of children less than 15 years old, limited night work for women, allowed for maternity leave, and emphasized job security (Kaur, 2004). The government also sets minimum wages in each region. New regulations allowed the formation of more than 2 dozen labour unions while workers are allowed to join a single union during Suharto government regime (Suryahadi, 2003). As a result, Indonesia’s Labour law has been described as one of the most labour friendly in South-East Asia. Caraway attributes a significant restriction of the force behind subsequent labour reforms, including the adoption of the rest of the core ILO conventions, to international pressure. Mainly international pressure from the U.S. and the E.U. contributed to changes in legislation beginning from the late 1980s when economic liberalization began (Caraway, 2004).

6.1.3 Case study 3, Does Thai Labour Standards properly address Workers’ Rights in Thailand?

There are about 50 million people in the labour force but huge numbers of people are unskilled. Plenty of unemployment, low wages, and poor working conditions in Thailand have led to increased labour union activity (Tait, 2005). Usually, according to the employment law in Thailand, an agreement that has been established between
the employer and employee should not be less than the minimum requirements or standards devised by the law (Gross, 2001).

Thai labour standards have been applied to stimulate the business sector to take more responsibility for workers. Developed western countries apply International Labour Standards, Social Responsibility Standards, Codes of Ethics and similar standards as trade requirements for both buyers and suppliers in the private sector (Chokchai, 2011). The Thai labour standards are similar to the International Labour Organization and other labour standards for trading, especially Social Accountability 8000 (Chokchai, 2011). The Thai Ministry of Labour, in collaboration with the private sector, produced the Thai Labour Standards (TLS-8001) in 2006 under the name *Thai Corporate Social Responsibility*.

The Thai Government codified employment laws, regulated by the Department of Labour, Protection and Welfare, stipulate working conditions. A series of laws and regulations covered rights and duties. Among the different acts that govern labour issues in Thailand are: Labour Protection Act BE 2541; the Labour Court and Labour Court Procedure BE 2522; Labour Relations Act BE 2518; Social Security Act BE 2533; Thai Civil and Commercial Code; Provident Fund Act BE 2530, and Workmen’s Compensation Act BE 2537 (Wjaegel, 2008).

Laws do not prohibit discriminatory hiring based on sex, age, physical features, or labour union status. The Labour Protection Act and other relevant acts have specific labour rules and regulations for each and every aspect of employment such as working hours, remuneration, child labour, female labour, sick and maternity leave, dismissal and termination, welfare and social security, and hiring (Wjaegel, 2008).

The maximum working hour is eight per day or 48 per week based on nature and type of work, except for work deemed by law to be hazardous. In addition, each employee must receive a one-hour rest period after working for five hours and one day off per week. Overtime is limited to 36 hours a week but must be paid at a rate of between

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42 The standards consist of 12 categories such as general rules, management system, forced labor, remuneration, working hours, discrimination in the workplace, discipline, child labour, female labour, freedom of association and collective bargaining, health and safety in the workplace, and workers' welfare (Chokchai, 2011).
1.5 to three times the normal hourly rates to qualifying employees. An employer should not ask a pregnant employee to work overtime as well as work on public holidays. Further, they are also not allowed to work in certain environments such as on plants, construction firms where it requires carrying loads on heads or shoulders, and ships and other water going vessels. Employees are entitled to 13 national holidays per year, plus a minimum of six days of vacation after one year of consecutive work. Thirty annual paid sick days is standard, and an employer may require a doctor’s certificate for sick leave of three days or more. Female employees are permitted a 90-day maternity leave period, with a maximum paid leave of 45 days (Wjaegel, 2008).

The minimum age of child labour is 15 years of age but employer is required to break of one hour for every four hours (Wjaegel, 2008). Below 18 years are not allowed to work overtime or on holidays and also not permitted dangerous works such as rolling as well as stamping metal and works dealing with unsafe chemicals and poisonous microorganisms. They are also strictly prohibited from certain establishments such as gambling centers, slaughterhouses, dance clubs, and center where liquors and other related beverages are served (Tait, 2005).

Under the Compensation Act, employers must provide the legally prescribed compensation amount, medical expenses, work rehabilitation expenses, and or funeral expenses to employees who are injured, become ill, or die due to work-related activities (Wjaegel, 2008). Employees may use their social security benefits to receive compensation for non-job related injury and illness, as well as for childbirth fees, child welfare, pensions, and unemployment compensation (Wjaegel, 2008).

Employers have the right to transfer staff to other locations, provided that the transfer is not ordered with the intent to create hardship for them. Employers must give employees thirty days’ notice before transfer. An employee’s refusal to transfer is legal cause for dismissal (Wjaegel, 2008).

The Labour Relations Act stipulates legal actions concerning employer-employee relations. Employers with at least 20 employees must come to an agreement concerning labour terms and conditions. Both parties must agree on work periods,
salaries, welfare benefits, complaint resolution procedures, employment termination and renewal, and changes in employment (Tait, 2005).

Dispute may be resolved through negotiations, which include employees and labour union or federation committee members. In case of both the parties are not able to settle the situation labour dispute within 3 days, the conciliator negotiates the matter between the parties within five days. If no agreement able to reach, then the labour dispute is considered irreconcilable. Employees then may call a strike; the employer may also affect a lockout, after having given the dispute conciliator, and the other party 24 hours’ notice (Gross, 2001). If the strike or lockout endanger for the national economy, public order or state security, then the Minister of Labour Protection and Welfare may order a cease to the strike or lockout (Gross, 2001).

6.1.4 Case study 4, Does Globalisation improve Working Conditions: Vietnam as success story?

Vietnam’s textile and garments industry has developed rapidly in recent years and has become a vital activity within the country’s economy. Approximately 2.1 million people directly employed in 2004 representing 4.7% of total employment within the country (Nicole, 2002; Khang, 2010). Currently Vietnam RMG exports are $US 7,186 million (see Table 21, p.172). Vietnam joined the World Trade Organisation (WTO) at the beginning of 2007 and achieved its recent export success. The Vietnamese government is supportive of the textile and garments sector, and there are strong incentives to attract foreign investment (Goto, 2007).

The government and the Vietnam General Confederation of Labour (VGCL) made continuously active dialogue in working with U.S. labour unions on issues of mutual interest. Vietnam’s quota levels to its progress in the area of labour rights, similar to the provisions under the 1999 U.S. textile agreement with Cambodia as evidence of the success of the model. As a result, both these two countries signed a Memorandum of Understanding establishing a program of labour cooperation and dialogue in November 2000 (Goto, 2007). The agreement is an important step forward in Vietnam’s WTO accession process and moves. According to the agreement, Vietnam’s status as a non-market economy for U.S. trade remedy purposes can be maintained for up to twelve years from their date of accession, unless Vietnam
qualifies for market economy status before then (Goto, 2007). The Vietnamese government encouraged its factories to improve factory standards in order to acquire the certifications issued by an American-based organization that verifies labour standards for Western corporations. Since entry into force of the United States-Vietnam Bilateral Trade Agreement on December 10, 2001, increased trade between the U.S. and Vietnam, combined with large-scale U.S. investment in Vietnam, evidence the maturing U.S.-Vietnam economic relationship. In 2006, the United States exported $1.1 billion of goods to Vietnam and imported $8.6 billion of goods from Vietnam. Similarly, the U.S. private sector committed $444 million to Vietnam in foreign direct investment. This number is expected to rise dramatically following Vietnam’s accession into the World Trade Organization (Source: Vietnam Financial and Trade Policy Handbook, 2009)

Vietnam has improved its system to protect workers rights, working closely with the International Labour Organization (ILO) and the United Nations Development Program (UNDP) since the early 1990's. Gradually the government is ratifying ILO core conventions. In consequence, the Vietnam government adopted a progressive Labour Code in 2002 that meets a number of international standards, particularly with respect to conditions of work, and continues to improve both the law and its implementation (Nelson, Justice and Skuba, 2006).

This law defends workers rights, provides better pay, and ensures a safe work environment, prohibits child and forced labour, offers leave, and respects other benefits (ILO and IFC, 2011). The government is struggling to enforce these laws effectively (Nelson, Justice and Skuba, 2006). The Department of Labour is providing approximately $6 mn in technical assistance to Vietnam, in collaboration with the ILO, in areas including: industrial relations and labour law reform; training and employment services; social safety nets; employment of the disabled; child labour; and HIV/AIDS workplace-based programs. The program increases enterprise performance and to access global market, create a more cost-effective process for

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43 improve collective bargaining, strike and dispute settlement procedures, expand scope of the labour law and augment social safety nets

44 The Labour Code was passed by Legislature IX of the National Assembly at its 5th Session on 23 June 1994, and amended by Law 35-2002-QH10 on Amendment of and Addition to a Number of Articles of the Labour Code passed by Legislature X of the National Assembly at its 11th Session on 2 April 2002 effective as of 1 January 2003 (Vietnam National Assembly, 2002).
labour standards compliance, and assist the government in improving labour standards and economic development (Manyin, 2008). Recently Vietnam started Better Work which is the largest of the country programs developed by the joint ILO-IFC Better Work global program. This program develops relationships between international buyers, local enterprises, governments and worker organizations to improve working conditions (Manyin, 2008).

6.1.5 Case study 5, Japan is the best example in Asia that has improved Working Conditions through Law enforcement.

The workforce of Japan is well educated and mostly skilled by virtue of Japanese educational system. Work force participation differ within age and gender groupings and it is similar to relative distribution among primary (agriculture, forestry, and fishing), secondary (heavy industry and (light industry) and tertiary industries (hospitality and entertainment) in developed country. Unemployment is disproportionately higher among women and foreign workers, especially who are from the Asian Pacific countries like China, South Korea, and Thailand without document, whereas unemployment is low in Japan compared with other industrialised nations (Jung, 2006).

Japan is established Labour law by constitutional framework and detailed acts, ordinances, collective agreements and work rules. There are three major labour laws, Labour Standards Law (LSL), the Trade Union Law (TUL) and the Labour Relations Adjustment Law (LRAL) are protects workers’ rights as well as working conditions (Jung, 2006).

The Civil Code adopted a basic definition of employment contracts in 1986. Average working hours are 40 per week and 8 per day. The employer must also provide at least one day off per week as well as breaks during working hours, at least 45 minutes after 6 working hours and one hour after 8 working hours (Arts. 34 and 35 of the LSL). Legally permitted better payment for night work but cannot be enforced. Overtime work may also be stipulated by agreement of the employer and the trade union. It also prohibits forced or compulsory labour as well as child labour. Child labour over the age of 15 may work for non-hazardous jobs only (Jung, 2006). Annual leave 20 days and 14 national holidays are allowed in a year but not mandatory in the private sector.
During pregnancy and up to one year after childbirth, a ban is put on heavy physical work and on work with dangerous materials (Art. 64-5). A childcare leave benefit is paid according to the Employment Insurance Law (Jung, 2006).

Workers and employers determine working conditions together. With respect to wages, gender discrimination is prohibited by the LSL (Art. 2 and 4). An independent body, called the National Personnel Authority recommended the government to fix up fresh wage, minimum wage from region to region and from industry to industry based on type of employment (ICC, 2007). However, a minimum wage is guaranteed to any employee, as stipulated in Art. 28 LSL and the Minimum Wage Act (ICC, 2007). Workers receive two fairly large bonuses as well as their regular salary, one mid-year and the other at year’s end. In addition, a number of fringe benefits are rewarded, such as living allowances, incentive payments, and remuneration for special job conditions and allowances for good attendance (The Library of Congress Country Studies, 2010). The EEOA (Art. 21 para.1) also prohibits sexual harassment and employers are responsible for the enforcement (Jung, 2006).

The LSL regulates firstly working conditions and secondly the workplace safety and hygiene. The Ministry of Labour, has full jurisdiction over the administration of occupational health and within the ministry of labour, occupational health is administered directly by the industrial health and safety department to monitor OCSH by labour standards inspectors (Source: CIA World Fact book and Japan Employment, 2010)

The Constitution guarantees workers the freedom associations and the right to act collectively. Trade unions are regulated by the Trade Union Law (TUL) and permitted to bargain collectively, whereas labour dispute settlement is specified in the LRAL. Labour disputes can be settled upon request of one or both parties by conciliation, mediation or arbitration. The Labour Relations Commission, a body representing equally workers, employers and the public is strongly influenced each form of settlement process (Jung, 2006).
A worker may have 30 days before termination notice (Art. 20 of the LSL). Any dismissal without reasonable cause is being treated abuse of the workers right and thus considered null and void (Jung, 2006).

Japanese employment practice is traditionally founded on lifetime employment. Usually employee work with one company for his or her entire working life. The employment period is thus not stipulated and the post is assured until mandatory retirement age between 55 and 60 years (CIA World Fact book and Japan Employment, 2010; Ministry of Public Management, Home Affairs, Posts and Telecommunication; Report on the Special Survey of the Labour Force Survey).

6.1.6 Case study 6, Fair Work Australia is an independent body that has impressively improved Working Conditions in Australia.

The working conditions of Australia are considered one of the best in the world. Australian industrial relations are characterized by high union membership and a federally driven, but state controlled, mandatory arbitration and conciliation system (Source: Commonwealth of Australia, 2010). There is only one major central union association, the Australian Council of Trade Unions (ACTU). Workers, including public servants, have the right to form and join trade unions and have the legal right to protection against anti-union discrimination (Chris, 2001). Australian trade unions continue their efforts to increase the minimum wage, to protect employee entitlements and to extend family-friendly policies. The ACTU has contested the law on the ground that it violates rights provided in ILO Convention 87 on Freedom of Association and Protection of the Right to Organise and Convention 98 on the right to Bargain Collectively, both of which Australia has ratified (Source: Commonwealth of Australia, 2010). Australian Council of Trade Union (ACTU) now incorporates a decent work policy to improve the quality and dignity of work in Australia. There are seven objectives of decent work policy such as an inclusive workforce; satisfying jobs; friendly workplaces; reasonable working hours; fair treatment at work; freedom, equality and dignity at work; progressive use of technology (Julie, 2009).

Australian workplace agreements (AWAs) are individual written agreements on terms and conditions of employment between an employer and employee in Australia, under
the Workplace Relation Act 1996 which meet the minimal Australian Fair Pay and Conditions Standard. An AWA can override employment conditions in state or territory laws except for occupational health and safety, workers’ compensation or training arrangements. Agreements are for a maximum of five years; approved, promoted and registered by the Workplace Authority; operate to the exclusion of any award; and prohibit industrial action regarding details in the agreement for the life of the agreement (Fair Work Australia, 2010).

Awards are the legal decisions made by independent industrial organizations and they specify the minimum standards of pay and working conditions that an employer must meet or otherwise face legal penalties. The average working week in Australia is 38 hours. A standard working day (without overtime) for a blue-collar worker is from 7 or 8am to 3.30 or 4.30 pm, while working hours in most offices and shops are from 8.30 or 9.30 am until 4.30 or 5.30 pm, with an hour’s break for lunch. In some cases employees, particularly in the public sector, operate on a flexi-time system. Hours worked above the standard working week are paid at overtime rates of either time-and-a-half or double-time, depending on the award for that profession. Employees are entitled to two weeks a year, with pay. Permanent worker are entitled at least four weeks a year, and this total may increase to six weeks over time. A part-time position sometimes provides holiday days in proportion to the amount of time spent at work during the year. Ten days of paid personal leave (with provision for two additional days of unpaid career’s leave and two additional days of paid compassionate leave per occasion). 52 weeks of unpaid parental leave, which may be taken as maternity, paternity, or adoption leave (Source: Commonwealth of Australia, 2010).

Under Australian OHS legislation (Section 28 of Workplace Health and Safety Act 1995), employers must ensure a safe workplace. This includes taking practical steps to identify, assess and control reasonably foreseeable risks (Timo, Fulop and Ruthjersen, 2004).

Australian Fair Pay Commission sets and adjusts the Federal Minimum Wage and minimum and classification wages in Pay Scales. The Australian Fair Pay Commission also has responsibility for Special Federal Minimum Wages for juniors, trainees, apprentices, and employees with a disability, and the wage loading for casual
workers as defined in the *Workplace Relations Act*. Australian wages are expected to continue rising faster than in most other western economies. Benefits are offered by some companies. Some of these benefits could include health insurance, expense accounts, even private schooling for their children. Employers are obligated to contribute up to 9% of the monthly salary for pension purposes, including regular taxation for part-time and temporary workers (Commonwealth of Australia, 2010; Fair Work Australia, 2010). The average retirement age in Australia is 60 years (Source: Australian Bureau of Statistics, 2007).

The law does not explicitly prohibit forced or compulsory labour, including by children. There is no federally mandated minimum age for employment, but compulsory education effectively prevent most children from joining the work force full time until they are aged 15 or 16. Federal and state governments monitor and enforce a network of laws governing the minimum school-leaving age to claim unemployment benefits and to engage in specific occupations.

The Workplace Relations Act contains provisions protecting employees from losing their job unfairly or unlawful termination. The *Workplace Relations Act* also contains safeguards to protect against disputes between unions (demarcation disputes) that might impede business operations. The right to take lawful industrial action when negotiating a new workplace agreement is also protected by law.

The *Workplace Relations Act* recognises a legitimate role for unions and employer organisations. Freedom of association laws ensure that an employer cannot dismiss an employee because he or she is, or is not, a member of a union. Subject to limited exceptions, the *Trade Practices Act 1974* prohibits and penalises secondary boycotts, including union boycotts, aimed at causing substantial loss or damage. Adherence to these laws is also monitored by the ACTU (Source: Commonwealth of Australia, 2010).

Fair Work Australia is the new government industrial agency created by the Federal ALP Government’s Fair Work Act 2009 (Maconachie, Glenda J., Goodwin and Miles, 2009). Fair Work Australia is the successor to the Australian Industrial Relations Commission with power to carry out a range of functions relating to safety net of
minimum wages and employment conditions; enterprise bargaining; industrial action; dispute resolution; termination of employment and other workplace matters (Commonwealth of Australia, 2010). The Workplace Ombudsman (non governmental complaint investigator) undertakes compliance and enforcement activities for the national workplace relations system, including assisting employees with suspected breaches of the Australian Fair Pay and Conditions Standard and the provisions of awards and workplace agreements (Source: Australian Government Ombudsman, 2010; Office of the Workplace Ombudsman, 2008).

6.2 International community contributes to Labour Standards in developing countries:

Many developing countries have developed their labour standards with the support of the international community, multinational corporations and their contribution in improving working conditions in manufacturing industry through trade agreements or bilateral agreements is a precondition for the improvement of working conditions. Treaties and bilateral or other trade agreements create legally binding commitments and thus help in forming the legal framework with respect to core labour standards. In the workplace, agreement between the employer and employee could also improve labour standards as well as create a congenial environment. It is also noted that threats and pressure from the international community and buyers can produce positive results. See below table 18.
Table 19: Inter-country comparison of Labour Standards compare to the other countries

<table>
<thead>
<tr>
<th>Labour rights and standards</th>
<th>El Salvador</th>
<th>Indonesia</th>
<th>Thailand</th>
<th>Vietnam</th>
<th>Japan</th>
<th>Australia</th>
<th>Bangladesh</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wage</td>
<td>A tripartite commission (consists of members of government, labour, and business) fixes the minimum wage.</td>
<td>Minimum Wages Councils have been formed for wage fixation</td>
<td>National Wage Committee (NWC) set up as a tripartite Body for wage fixation</td>
<td>National Assembly revamped Labour policies on minimum wage.</td>
<td>An independent body, called the National Personnel Authority is responsible for setting minimum wage.</td>
<td>The Australian Fair Pay Commission is responsible for adjusting minimum wages.</td>
<td>Wages Board established under the Minimum Wages Ordinance, 1961 but in practice, there is no salary structure and wage commission for RMG.</td>
</tr>
<tr>
<td>Forced Labour</td>
<td>Forced labour is generally prohibited by law in cases of calamity or national emergency the government can make exceptions.</td>
<td>Not practice</td>
<td>Vietnam working closely with the ILO and UNDP and has improved its system to protect workers rights.</td>
<td>Force labour is prohibited</td>
<td>The law does not explicitly prohibit forced labour and child labour but such practices do not occur.</td>
<td>An excessive working hour is one of the most common labour standards problems in the RMG sector.</td>
<td></td>
</tr>
<tr>
<td>Child labour</td>
<td>The Salvadorian Constitution forbids child labour before the age of 14, restrictions on child labour between the ages of 14 and 17.</td>
<td>Minimum Age for Admission to Employment is 15 years old.</td>
<td>Legal minimum working age in Thailand is 13 but in some cases restriction</td>
<td>Vietnamese law prohibits the employment of children under 15 years of age.</td>
<td>Child labour free working environment in industrial sector</td>
<td>There is no federally mandated minimum age for employment, but children are 15 or 16 allowed to work</td>
<td>Factories Act of 1965 bars children under 14 from working in factories. No specific regulation that makes child labour illegal, and it is a continuing serious problem.</td>
</tr>
<tr>
<td>Law enforcement</td>
<td>Numerous labour laws exist to protect the rights of workers. Some of these laws are enforced more than others.</td>
<td>Indonesia’s Labour law has been described as one of the most Labour friendly in South-East Asia.</td>
<td>The Thai Labour Protection Act and other relevant acts dealing with the Labour issues.</td>
<td>Under the labour code, the ministry of labour is responsible for the determination and periodical adjustment of minimum wages.</td>
<td>Labour law is established within this constitutional framework and collaborated by acts, ordinances, collective agreements and work rules.</td>
<td>Australian working conditions are regulated by legislation and industrial awards.</td>
<td>Outdated law and poor enforcement</td>
</tr>
<tr>
<td>Discrimination</td>
<td>Workers are guaranteed the right to unionize without the threat of harassment or discrimination.</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Occupational Health and Safety issues</td>
<td>The Ministry of Labour is responsible for OH&amp;S issues.</td>
<td>Ministry of Labour, Ministry of Public Health, and Ministry of Industry, are responsible for OH&amp;S issues.</td>
<td>The Ministry of Labour Invalids and Social Affairs is primarily responsible for the administration &amp; enforcement of the Labour Code.</td>
<td>Work-related safety and health regulations are enforced by the ministry of labour.</td>
<td>The National Hands Commission is a tripartite statutory body to monitor the Hands.</td>
<td>The violations of the occupational safety and health codes are flagrant, as evidenced by the types of tragic and preventable accidents that occur in Bangladesh factories.</td>
<td></td>
</tr>
<tr>
<td>Trade Union activities</td>
<td>Freedom at work to organize in the workplace and bargain collectively gives workers a voice on the job and the opportunity to strive towards a better life.</td>
<td>Limited access on TU activities.</td>
<td>Limited access on TU activities.</td>
<td>Limited access on TU activities.</td>
<td>The Japanese Federation of Employers' Associations plays a main role on behalf of employers in industrial relations</td>
<td>A central union association, the ACTU works for workers.</td>
<td>Most RMG factory have no Trade Union. Trade unions are particularly banned from the EPZ.</td>
</tr>
</tbody>
</table>
According to the Table 19, most of the countries exhibit good labour standards. The significant level of working conditions in El Salvador and Vietnam was improved through bi-lateral agreements although they already had a codified law.

Comparatively in Thailand, working conditions are superior to Indonesia as well as Bangladesh. But Japan maintains good labour standards. On the other hand, Australia has the best fair labour practices through its Trade Unions. By comparison with the other countries, labour standards in Bangladesh are below standard.

6.3 How did the Cambodian Garments Industry improve Labour Standards with the assistance of the ILO?

Cambodia is one of the developing countries in Southeast Asia. There are about 14 million people in Cambodia and it has a Gross National Income per person of $380 (World Bank, 2007). The garments industry, has been the main component of industrial growth of Cambodia since the late 1990s, with its share of GDP increasing from just 1.3 percent in 1995 to 9.2 percent in 2000, 10 percent in 2004, peaking at 13.5 percent in 2005 and 15.9 percent in 2006, and generating export earnings of US$3.3 billion in 2006 (CDRI, 2008a: p.41). Cambodian GDP expanded approximately 2.5 times from 1996 to 2006. The Ministry of Economy and Finance of Cambodia forecasts around six percent annual GDP growth rate from 2006 to 2010 (JICA, 2007: p.22).

Cambodia has about 3.3 % market share in the US where Egypt does not exceed 1%. There was a history of silk and cotton production in Cambodia from French Colonial times. In the mid of 1990s textile and garments manufactures from Hong Kong, Taiwan, Malaysia, and Singapore began operations in Cambodia, enticed by a large pool of surplus labour, low wages, a large female labour and domestic peace and security (Bargawi, 2005). Currently in Cambodia there are about 305 readymade garments factories employing over 300,000 workers. 95% of these factories are foreign-owned (USAID, 2005).
Table 20: The Number of Factories and Employment in the Garments Industry, 1995-2008

<table>
<thead>
<tr>
<th>Year</th>
<th>USAID</th>
<th>EIC</th>
<th>ILO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
<td>20</td>
<td>67</td>
<td>152</td>
</tr>
<tr>
<td>Thousand</td>
<td>18.7</td>
<td>51.6</td>
<td>96.6</td>
</tr>
</tbody>
</table>

(Note: ILO's figures include all factories active on 31st October, which have been monitored by Better Factory of Cambodia. Source: USAID)

According to the Table 20 show that garments factories in Cambodia increased in number from a mere 20 in 1995 to reach over 305 in 2006. However, the number slightly declined in 2007 and 2008. In parallel with this, employment expanded over 17 times in the period of 1995-2008, rising to 327,100 in 2008 (Natsuda, Gotok and Thoburn, 2009).

The garments industry has been playing an important role in both income generation and poverty reduction in Cambodia, not only the creation of employment in city areas, but also remittance to workers’ families in rural areas. Many workers are young females who migrated from poor rural areas to city (Bargawi, 2005: p.9).

Table 21: Clothing Exports of Selected Asian Countries, 2000-2007

<table>
<thead>
<tr>
<th>Name of the country</th>
<th>2000</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cambodia</td>
<td>970 unit</td>
<td>0.5 %</td>
<td>2,231</td>
<td>0.8 %</td>
</tr>
<tr>
<td>Vietnam</td>
<td>1,821</td>
<td>0.9 %</td>
<td>4,681</td>
<td>1.7 %</td>
</tr>
<tr>
<td>China</td>
<td>3 6,07</td>
<td>18.2 %</td>
<td>74,163</td>
<td>26.8 %</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>5,067</td>
<td>2.6 %</td>
<td>7,510</td>
<td>2.7 %</td>
</tr>
<tr>
<td>India</td>
<td>5,960</td>
<td>3.0 %</td>
<td>8,595</td>
<td>3.1 %</td>
</tr>
<tr>
<td>World</td>
<td>1 98,158</td>
<td>276,822</td>
<td>309,593</td>
<td>345,301</td>
</tr>
</tbody>
</table>

Source: WTO (2008, p.115); Unit: US$ Million,
The garments industry received a boost in the late 1990s after Cambodia was granted Most Favoured Nation (MFN) status by the US in 1996, as a non-member of the WTO (Berik and Rodger, 2008). As a result, the US government increased quotas for Cambodian garment exports in 1998. In addition, a number of international NGOs drew attention to labour standards in the factories of the Asian developing countries (Yamagata 2004: p.56), so Cambodia and the United States concluded a bilateral three-year trade agreement in January 1999, which linked export quotas to labour standards (Chui, 2007). The agreement provides duty and quota free access for Cambodian garments products, subject to rules of origin requirements being met (Bargawi, 2005). Furthermore, the EU also introduced its *Everything But Arms (EBA)* scheme in 2001 which allow duty free quota access to all Cambodian exports to the EU market (Hatsukano, 2005: p.176). In addition, the Japanese government provided duty free access to almost all industrial products, including Cambodian textile and garments products, subject to rules of origin requirements being met (ADB, 2004: p.17).

The most important event in relation to international trade for the Cambodian garments industry was Cambodia’s accession to WTO membership in October 2004. In particular, the Cambodian government was concerned that the US government might impose high import tariffs. Secondly, WTO membership was expected to facilitate Cambodian access to the world market and attract both local and foreign investment (Chea and Sok, 2005).

### 6.3.1 Cambodian Stakeholders role in improving Labour Rights and the US-Cambodia Trade Agreement?

The Cambodia’s constitution and the 1997 Labour Code encompass a comprehensive set of labour regulations that reflect the country’s ratification of all eight of the ILO’s core labour standards. The first independent and opposition-oriented trade union formed in the garments industry in 1996 and activate with the international trade union movement. Initially trade union movement started in 1999 and became the Cambodian Federation of Independent Trade Union (ILO, 2007).
Since Cambodia’s entry into ILO in 1998, labour, union, consumer and others activists groups pressured the US government to review the alleged abuse of workers’ rights in Cambodian factories. During this period the US government was seeking to restrict imports to protect jobs. This led to the US-Cambodia Trade Agreement on Textiles and Apparel (TATA) which linked annual increases in market access to improvement in labour rights, particularly the ILO Core Conventions against child and forced labour, protecting against discrimination and encouraging freedom of association and the right to collective bargaining (Berik and Rodger, 2008). Following its initial review of labour conditions in December 1999, the U.S. government allowed imports to increase 5 percent, in recognition that Cambodian factories had made progress toward compliance. The acceptable conditions of work those are guaranteed by Cambodia’s own labour laws.

Table 22: A comparison of acceptable Working Conditions between Cambodia and the U.S.A.

<table>
<thead>
<tr>
<th>Acceptable Condition</th>
<th>Provisions in Cambodian Law</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages that provide a decent living for workers and their families</td>
<td>The minimum wage for the garments sector is $45 per month for regular workers, $40 per month for workers on probation and $30 per month for apprentices. If a piece rate worker falls below $45 per month, the employer must make up the difference. The law also provides for seniority bonuses, overtime pay on nights and weekends, and a meal allowance.</td>
</tr>
<tr>
<td>Working hours do not exceed 48 hours per week, with a full 24-hour rest day and a specified number of annual paid leave days</td>
<td>Hours of work cannot exceed eight hours per day, or 48 hours per week. Overtime must be voluntary. Weekly time off shall last for a minimum of 24 consecutive hours. All workers shall be given in principle a day off on Sunday.</td>
</tr>
<tr>
<td>Minimum conditions for the protection of the safety and health of workers</td>
<td>All workers are entitled to 18 days of paid annual leave after 1 year of service. In addition, the Ministry of Labour has declared 24 paid public holidays for 2002, with work on those days to be paid at twice the normal rate.</td>
</tr>
</tbody>
</table>

Source: International Labour Organization (2001)

As shown in Table 22, those conditions are quite similar to those required by the U.S. Department of State’s definition of acceptable conditions of work and Cambodian Labour Law.
Although Cambodian laws adequately enforced and provided most of the requirements of the Department of State definition of *acceptable conditions of work*, there is one important difference. In enforcing the trade agreement, USTR\(^{45}\) follows the ILO review, and focuses on enforcement of Cambodia’s wage and overtime laws, without considering whether such laws provide a *decent wage* (U.S. Department of State, 2002). Cambodia made progress, but did not yet reach full compliance with *acceptable conditions of work*. However, the United States offered additional quota increases if Cambodia would allow the ILO to monitor its textile and apparel plants. Following that, Cambodia agreed after the United States provided technical assistance funding to Cambodia’s labour ministry in establishing an ILO monitoring project (Berik and Rodger, 2008). Subsequently the U.S. Trade Representative allowed Cambodia’s export quotas to increase 9 percent in 2000, 2001, and 2002, rather than the full 14 percent possible under the Cambodia Bilateral Textile Agreement (Source: American Embassy Cambodia, 2002). In early 2002, the United States and Cambodia negotiated a 3-year extension of the trade agreement, including the export increase incentive for compliance with international labour standards (Berik and Rodger, 2008). According to Rodgers and Berik the US-Cambodia, trade agreement produced a labour standards compliance program called Better Factories Cambodia (called the ILO Garments Sector Project until 2005).

### 6.3.2 Better Factories Cambodia Project

The ILO Better Factories Cambodia provides a program characterized factory monitoring by the overseas buyers and ILO personnel in instead of the excessive interruption of production. This program includes not only technical assistance and capacity building for strengthening the enforcement capability of Cambodia’s government, but also direct monitoring and inspections of all garments factories by ILO personnel (Rodgers and Berik, 2006; Yamagata, 2006).

ILO monitoring also ensures independent verification of working conditions and effort to increase compliance to ILO core labour standards. A checklist approved by the government, unions and employers was used to assess compliance with labour

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\(^{45}\) *United States Trade Representative (USTR)*

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contract requirements, wage and effective laws, leave entitlement, worker welfare, labour relations and occupational safety and health. In the six months prior to the 31 October 2007 report, 227 factories were visited (Berik and Rodger, 2008).

Table 23: Labour Standards and Working Conditions Kucera Indicator of Trade Union Rights for Asia, Mid-1990s

<table>
<thead>
<tr>
<th>Total factories inspected</th>
<th>1996</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Correct OT wages for Regular worker</td>
<td>95%</td>
<td>98%</td>
</tr>
<tr>
<td>Correct OT wages for Regular worker</td>
<td>93%</td>
<td>95%</td>
</tr>
<tr>
<td>Correct OT wages for Regular worker</td>
<td>93%</td>
<td>93%</td>
</tr>
<tr>
<td>Minimum wage for Regular worker</td>
<td>93%</td>
<td>98%</td>
</tr>
<tr>
<td>Minimum wage for Regular worker</td>
<td>92%</td>
<td>97%</td>
</tr>
<tr>
<td>Minimum wage for Regular worker</td>
<td>74%</td>
<td>69%</td>
</tr>
<tr>
<td>18 days of annual leave</td>
<td>67%</td>
<td>94%</td>
</tr>
<tr>
<td>Payment of for Maternity leave</td>
<td>65%</td>
<td>95%</td>
</tr>
<tr>
<td>Voluntary overtime</td>
<td>49%</td>
<td>78%</td>
</tr>
<tr>
<td>Paid sick leave</td>
<td>41%</td>
<td>68%</td>
</tr>
<tr>
<td>Provide personal Protective equipment</td>
<td>34%</td>
<td>56%</td>
</tr>
<tr>
<td>Install Needle Guards on Sewing Machines</td>
<td>28%</td>
<td>48%</td>
</tr>
<tr>
<td>Overtime Limited to two hours per day</td>
<td>24%</td>
<td>38%</td>
</tr>
</tbody>
</table>


From the above Table 23, it reveals that that compliance with wage and hours requirements was at 95-97%, annual leave provision at 94%, paid sick leave at 68%, voluntary overtime at 78%, exceptional required overtime at 14%, overtime limited to 2 hours per day at 38%, provision of personal protective equipment at 56% and installation of needle guards on sewing machines at 48%, and payment of maternity leave at 95% (Berik and Rodger, 2008).

According to Marston, in that same six month period the ILO found one instance of factory with one underage worker, no factories with forced labour, 18 factories engaging in instances of prohibited discrimination, 168 factories with at least one active and registered union with 326 unions in place and with a unionization rate of 43%. 17 factories interfered with freedom of association, eight factories engaged in
anti union discrimination and 30 strikes in 29 factories. Average compliance was found 81-100% in 17 visited factories (Marston, 2007).

Cambodia has established a strong garments manufacturers association with belongs to exporters. This association presents industry interests to government and negotiates with the importing countries on developing conditions of trade. The association also pursues a training program, which graduates 30 persons per month with the support from the Japan International Cooperation Agency (Morshed, 2007).

Alternatively, the ILO launched another training program called Better Factories, which focuses on improved workplace relations and soft skills (factory based). Better Factories Cambodia has implemented a number of new training courses and programs that introduce new technology and an understanding of workers rights and also helps employers to improve on their existing training methods (Polaski, 2006). In addition, the program also organized training sessions for human resource managers and trade union leaders on topics such as employment contracts, working conditions, and worker recruitment (ILO, 2005). The Cambodia Better Factories program resulted in over 20% sustainable efficiency achieves as well as higher job satisfaction and earnings. It has produced a growing demand on training programs at all levels. Similar programs have been initiated by the private sector, which is positive for the industry. Now Cambodian schools and universities are introducing garments related industry training (Gunsell and Yana, 2008).

Disputes are resolved internally and most serious disputes are sent to the Arbitration Council. Disputes are initially presented to the Labour Inspector for conciliation within the Ministry of Labour, who must initiate the case within 48 hours of submission. If the dispute is not resolved within 15 days then it is referred to the Arbitration Council by the Minister of Labour (Arbitration Council, 2004). The arbitrators initially discuss the dispute with the parties and failing agreement gives them the option of a binding or non binding award. An adversarial hearing is then

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46 The formation of Cambodian Arbitration Council, a three member panel, compose of one member from the labour panel of 10 arbitrators, one member from the employer panel of 10 arbitrators, and the two partisan arbitrators then choose the Chair from the 10 person neutral arbitrator panel of 10 (Source : ILO Better Factories Cambodia, 2007).
held and the panel must issue its decision within 15 days of referral from the Minister. If the case is not binding either party may reject the award within eight days or the matter is referred to court for adjudication (Source: ILO Better Factories Cambodia, 2007). According to the ILO 2006 survey the factory managers reported that 72% dispute resolved internally. In conjunction with 35% were resolved by the labour inspectorate, 32% by the union federation, 20% by the Garments Manufacturers Association, and 10 by resort to the Arbitration Council Manages also reported a 96% decrease in strikes over the prior 5 years as well as 97% decrease in time lost due to strikes (Berik and Rodger, 2008). The acceptance of trade unions in the garments factories as well as the advent of collective bargaining has provided a vehicle for peaceful resolution of disputes, which previously had been the cause of frequent strikes and work stoppages.

**Figure 5**

![Graph showing the number of workers from 2000 to 2006](image)


It is widely agreed that the resulting labour monitoring, carried out by the ILO, a United Nations agency, has created a number of beneficial changes in Cambodia’s factories (Marston, 2007). Although the trade agreement expired late in 2004, coinciding with the end of the Agreement on Textiles and Clothing, but the factory-monitoring program has continued and expanded in scope.
6.3.3 Labour Standards

Labour standards have become an increasingly important factor in the global garments industry, due to the growth of consumer concern with labour issues in developing countries, as well as campaigns for compliance with labour standards by international NGOs (Nadvi and Thoburn, 2004). There has been a significant improvement in Cambodian Labour standards since the late 1990s. There are many factors behind this improvement.

Under the Trade Agreement on Textiles and Apparel (TATA) agreement of 1999, the US set quotas for textile and apparel exports from Cambodia. According to the agreement, Cambodia has met its obligations to improve the enforcement of its own labour laws and to protect internationally recognised worker’s rights (Polaski, 2004).

In Cambodia, the rights and obligations of employers and employees are defined in the country’s labour laws, which extensively and progressively cover major areas such as a minimum wage, employment details, including freedom of association, and collective bargaining (Chiu, 2007). In addition, international labour standards have been ratified by the Cambodian constitution (ILO, 2005).

Another factor was the establishment of a new supervisory system for labour standards between the International Labour Organization (ILO), the government of Cambodia and industrial associations such as the garments manufacturers’ association in Cambodia (GMAC). In addition, Cambodian labour unions are very active in the clothing and garments manufacturing sector and have acted as mediators between workers and factory owners to settle disputes and discuss wages. As a result, average wages increased and the government made progress in enforcing ILO core labour standards in clothing factories (Morshed, 2007).

The ILO also started a monitoring program in 2001, the ILO Garments Sector Project, later renamed Better Factories Cambodia, which is supported by the Royal Government of Cambodia, the Garment Manufacturers Association of Cambodia (GMAC) and the unions. Monitoring requirements from the ILO, international NGOs and global buyers have certainly keep pressure on factories to comply with labour
laws and international labour standards (Chui, 2007). As a result, Better Factories Cambodia contributed significant improvements in wages, working conditions and worker’s rights (Polaski, 2004; Yamagata T.2006).

**Figure 6**

Impact of Monitoring Program: garments Industry Workforce (Gunseli and Yana, 2008).

In summary, the following diagram presents Cambodia’s labour standards rank seventh across 20 Asian countries.

**6.3.4 Conclusion**

The Cambodian garments industry has been rapidly expanding since the late 1990s, as a main driving force for the economic development of the country. The industry contributes not only to the industrialisation of the country, employment creation, export earnings in the country, but also reduce poverty in Cambodia. Plenty unemployed, low wage rates and political stability assisted in increasing expansion of garments manufacturing industry in South-East Asia.

Furthermore, the Cambodian government successfully integrated the industry with the international trading regime and linking a quota allocation for the US market with its improvements of labour standards under the bilateral agreement, and later by joining the WTO.
This congenial environmental condition created great attention of international community for awareness of working and labour union conditions in Cambodia. Much of consumer, activists and student involvement in labour including provision of union personnel assistance were stimulated for the improvement of working conditions this sector.

An innovative originated with the US-Cambodia Textile Agreement, which awarded Cambodia higher garments export quotas into attractive well-paid US market in return for improved working conditions and labour regulations. This unique bilateral trade agreement used trade incentives for enforcing labour standards, and its performance depends on the ILO to serve as the monitoring body (Rodgers and Berik, 2006). The ILO was mandated to monitor working conditions and publish reports on the compliance of Cambodia’s factories with internationally recognized core labour standards. The ILO monitoring has resulted in improvements in Cambodia’s factories and working conditions. Labour welfare and occupational health and safety issues have also been improved. Moreover the government, factory associations, labour unions and international institutions have all played an important role in improving wage rates and labour condition in Cambodia in recent years (Rabinwotz, 2006). The Cambodian Arbitration Council as a body of skilled arbitrators resolved the disputes issues in workplace fairness with honesty (Arnold, 2008). According to the ILO report no evidence of child labour, forced labour or sexual harassment (ILO, 2001). The power and inspiration in formulating the Better Factories Cambodia Project to monitor working conditions of plants are the ILO, international organizations, US and European governments in working with the unions and employers (Yamagata, 2006). It works as an instructive model for other developing countries and a showplace of the fruits of labour management cooperation.

6.4 Comparison with Bangladesh Garments Industry

With a large population of 142 million in 2005, Bangladesh is one of the most populous countries in Asia and has a Gross National Income of $1,500 per captia in US$ (BBS, 2005; WB, 2007 and ADB, BB Report and Bangladesh Economy Profile, 2008).
The RMG industry is the major foreign currency-earning sector with the highest rates of industrial employment. Traditionally, the jute industry dominated the industrial sector of the country before 1970s and gradually RMG industry replaced the jute industry. Whereas the industry contributed only 0.001 per cent to the country’s total export earnings in 1976, its share increased to about 75 per cent in 2005 (Haider, 2007). Bangladesh exported garments worth the equivalent of $12.34 billion in 2009, which was about 4.47 per cent of the global total value ($276 billion) of garments exports (EPB, 2009; BB, 2008).

Cheap labour, low cost and extreme exploitation is the main source of high profit in garments sector. Bangladesh’s apparel unit labour cost of $0.22 per hour is the lowest in Asia, behind Cambodia ($0.33), India ($0.51) and China ($0.55) (Stuart and Kirsten, 2010). In addition, supportive government polices and private entrepreneur’s initiatives introduced RMG product in the world market. Moreover, the export-quota system\(^47\) in trading garments products played a significant role in the success of the industry.

Despite the phenomenal success of the RMG sector, the poor working conditions in the factories and the lack of social compliance are serious concerns. Consumers in the EU or USA may reject products from Bangladesh which they consider are produced in abusive and exploitative conditions which do not adhere to labour rights and working conditions.

\(^{47}\) Unilateral restriction, short-term arrangement (STA), long-term arrangement (LTA), Multifibre Arrangement (MFA) and finally the WTO Agreement on Textiles and Clothing (ATC) are the chronological steps through which the “export_quota system” was administered until it was finally abolished on 31 December 2004, making worldwide textile and garments trade quota-free. The system allowed importers to control the import of textile and garments products by imposing quantitative restrictions on exporting countries. For details on the system, see Agency for International Trade Information and Cooperation (1999); Hyvarinen (2000); Smith (1998); and Thongpakde and Pupphavesa (2000).
Table 24: Inter-country comparisons

<table>
<thead>
<tr>
<th>Country</th>
<th>Year</th>
<th>Nos. of RMG Factories</th>
<th>Export Earnings US$ B</th>
<th>X/Factory</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>2009</td>
<td>4,200</td>
<td>12.34</td>
<td>2.54</td>
</tr>
<tr>
<td>Mexico</td>
<td>2001</td>
<td>Not available</td>
<td>8.00</td>
<td>1.34</td>
</tr>
<tr>
<td>Turkey</td>
<td>2001</td>
<td>Not available</td>
<td>6.60</td>
<td>N.A</td>
</tr>
<tr>
<td>India</td>
<td>2008</td>
<td>215 (2001)</td>
<td>5.41</td>
<td>N.A</td>
</tr>
<tr>
<td>Vietnam</td>
<td>2005</td>
<td>250</td>
<td>4.81</td>
<td>N.A</td>
</tr>
<tr>
<td>Indonesia</td>
<td>2004</td>
<td>Not available</td>
<td>4.00</td>
<td>N.A</td>
</tr>
<tr>
<td>Thailand</td>
<td>2004</td>
<td>2,300</td>
<td>3.09</td>
<td>N.A</td>
</tr>
<tr>
<td>Cambodia</td>
<td>2000</td>
<td>300</td>
<td>0.985</td>
<td>3.28</td>
</tr>
</tbody>
</table>

Note: Not Applicable (N.A)


Table 24 shows that, in Cambodia garment sector has more exports, is better capitalised and Social compliance is better that in neighboring countries. This is due to foreign owners, TU and Garments owners and others cooperating effectively. The six other countries have successfully achieved Social compliance in their RMG sectors due to international community, buyers, government and other stakeholder effective role. Although Bangladesh has the highest value of RMG exports with a large number of factories and three million workers, Social compliance is still unsatisfactory.

Working conditions in the RMG sector is substandard. Recruitment policy highly informal compared to the western standards, low wage and discrimination, excessive working hour, force and child labour, unsafe working conditions, absence of trade union, irregular payment are common practices in the RMG factories in Bangladesh. A wages board sets minimum wages within the formal economy. There is no wage board for RMG sector as well as private sector. However, for the RMG sector, this was most recently revised in October 2010 and set at Taka 3,000 per month (approx. US$60). It is generally agreed that this is now inadequate, having been eroded by inflation. The government is committed to reviewing the minimum wage and debate is under way over the appropriate level to prove a living wage (Stuart and Kirsten, 2010). In Cambodia, as a result of consultation between the trade union and factory owners’ wages were increased.
Violations of health and safety regulations and lack of awareness in the workplace are as the next most common problems in Bangladesh RMG sector. Lack of fire safety equipment and evacuation procedures, insufficient and defective ventilation, poor maintenance of equipment, inadequate and unsanitary toilet facilities, non-use of protective gear, and excessive heat on the factory floor are as common problems. As a result, workers often suffer various diseases and are injured or even killed due to faulty designed buildings collapsing. This is compounded by a lack of government attention to health and safety issues.

Harassment or abuse of workers and the violation of the right to unionize tied for third place in factory inspections in Bangladesh, and these problems were more prevalent in this sector. Verbal and physical abuse, monetary fines and penalties for failure to achieve production targets, and restrictions in access to toilet facilities are some of the common harassment problem in this sector (Zohir, 2003).

In Cambodia, a US-Cambodian agreement provides trade incentives in return for enforcing labour standards and labour regulation. The agreement involves the ILO in monitoring working conditions in the Cambodian garments manufacturing industries. As a result, Cambodian labour standards in the garments sector have shown a remarkable improvement.

Dispute resolution also has become more complex, involving employees, management, unions, other firms, and government agencies. Many labour disputes have been linked to delays in wage payment, non-payment of overtime, sudden closures of factories without notice or payment of outstanding wages and calculation of holiday entitlement. Undoubtedly, many issues occur from deliberate management strategies. However, it also appears that they also relate to poor human resource management skills among supervisors and a culture of disregard for worker interests (Stuart and Kirsten, 2010). Despite tripartite agreement between the government, factory owners and workers that provides for appointment letters, regular payment of wages and overtime by the first week of every month and maternity leave, these factories also do not abide by the minimum wage as decided upon by the commission. Moreover, the legal limit of 48 hours per week is routinely ignored. Cambodia has established as arbitration cell to resolve disputes relating to workplace fairness with
honesty. As a result 72% disputes are resolved internally (Berik and Rodger, 2008).

Labour legislation in Bangladesh dates back to the British administration and much of it is obsolete and outdated. There are tripartite structures at national level, including an official tripartite committee to review the labour law, but it does not work effectively (Mondal, 2002). Furthermore, law enforcement is poor in the RMG sector. There are few labour inspectors to enforce labour standards to comply with legislation and those few are too busy collecting token money from factory owners to have time to check conditions (Mondal, 2002).

There are law courts to which workers and management can turn for adjudication of disputes but these are expensive and time-consuming. To some extent, it is failure to observe national laws that allows international buyers to insist on their own Codes of Conduct with local employers. An example is the US requirement for market access requires, the Cambodian government to adopt acceptable working conditions led to the incorporation of the from the U.S. Department of States definition in Cambodian law.

There is no culture of dialogue and negotiation with entrenched positions on both sides. Union organization is weak with employers actively impeding union activity (Stuart and Kirsten, 2010). Moreover owner or employer are better organised and resourced than employees association. The employers group is dominated by the two garments manufacturing associations; the Bangladesh Garments Manufacturers and Export Association (BGMEA), and the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), whereas trade unions are fragmented and generally weak (Stuart and Kirsten, 2010).
According to the diagrams, 7 and 8 in contrast with Cambodia, in 6 out of 10 indicators Bangladesh is worse than Cambodia. So Compliance is still a major problem in RMG industry.
However, the Bangladesh government formed a Compliance Monitoring Cell to ensure implementation of the compliance issues in the units of ready-made garments (RMG) sector. In addition, BGMEA has also formed a safety cell to protect fire-related emergency problems. But the concern is that both agencies are failing to perform their activities. The BGMEA argues that the level of Social compliance has improved in recent years (Gunseli, 2007). In reality, the working conditions in RMG sector are unsatisfactory.

**Figure 9**

![Graph showing working conditions in different regions](image)

*Berik Gunsell and Rodger (2008). The Debate on Labour standards and International trade: Lessons from Cambodia and Bangladesh. 26 February 2008, Routger University, New Delhi*

In comparison to Asia, China and other contraries, the following diagram reveals that the working conditions Bangladesh RMG sector is unacceptable.

### 6.5 Conclusion of Case study

In comparison to other countries labour rights in Bangladesh is poorly protected. Most of RMG factory do not apply HR and IR activities, poorly address labour rights, ignores labour standards, over looks health and safety issues, disallows trade union activities, and discard fair labour practices and decent work. Furthermore, law enforcement is unsatisfactory. Although the government established a Compliance Cell for the improvement of working conditions, it is not working according to ILO standards due to a lack of skilled staff, logistic support and a rigid structure. Since consumers constantly reject products produced in exploitative circumstances, workers’ rights must be protected by effective laws, monitoring, and surveillance.
In consequence, El Salvador made an impressive improvement in the Maquila apparel sector by following U.S.-Central America-Dominican Republic Free Trade Agreement (CAFTA-DR). This agreement, implemented between El Salvador and the United States provides preferential access to U.S. markets including textiles and apparel, shoes, and processed foods are among the sectors that benefit. As result of El Salvador is the eighth largest exporter worldwide of apparel to the U.S.

International pressure and agreement with specific firm Mandarin International factory in El Salvador has improved working conditions. To improve working conditions in specific firm Mandarin International factory, an Independent Monitoring Committee was formed to investigate the working conditions. According to the committee report, the Mandarin has significantly improved working conditions which is El Salvador and the U.S. guaranteeing respect for human and workers’ rights is good for everyone. The Mandarin becomes the first maquiladora factory anywhere in the world in which there is a program of monitoring by independent human rights organizations. Independent monitoring is now a concrete reality in operation on the ground in El Salvador.

International pressures played a very significant role in enacting laws to improve working conditions in Indonesia, mainly from the U.S. and the E.U. As result of the Government ratified all of the core ILO conventions in June, 1998 and May 1999. In addition, numerous initiatives have been taken for trade policy, sets up minimum wage; allow joining in the union and skilled manufacturing workforce and contributing to Indonesia increasing workers’ statutory rights and facilitating collective bargaining. Indonesia’s Labour law now has been described as one of the most Labour friendly in South-East Asia.

In Thailand, the government codified employment laws. All of the rights and duties relating to employers and employees are usually governed by a series of laws and regulations. The Labour Protection Act and other relevant acts dealing with the labour issues have set some specific rules and regulations for each and every aspect with regard to employment, such as working hours, remuneration, child labour, female labour, sick and maternity leave, dismissal and termination of employees, welfare and social security and recruitment.
Similarly, Vietnam has improved its system to protect workers rights, working closely with the ILO and UNDP since the early 1990’s. In 2002, the government adopted a progressive Labour Code and gradually ratifying core ILO conventions (improve collective bargaining, strike and dispute settlement procedures, expand scope of the labour law and augment social safety nets) that meets a number of international standards, particularly with respect to conditions of work, and continues to improve both the law and its implementation.

In Japan fundamental labour standards are granted in the Constitution. Japanese labour law is established within this constitutional framework. It is elaborated by acts, ordinances, collective agreements and work rules. Labour laws recognize the right to organize and bargain collectively. Concerning individual labour law, it is stipulated that wages, hours, rest and other working conditions be fixed by law (Art. 27, para 2). The industrial health and safety department under the ministry of labour, occupational health monitor OCSH by labour standards inspectors. In fact, Japan is recognised in Asia for better pay and good labour standard as well as fair labour practices.

The working conditions in Australia are considered among the best in the world. Working conditions in Australia are regulated through legislation and industrial awards. Awards are the legal decisions made by an independent industrial organization and they specify the minimum standards of pay and working conditions that an employer must meet otherwise face legal penalties. Australian industrial relations are characterised by high union membership numbers and a federally driven, but state controlled, mandatory arbitration and conciliation system. Fair Work Australia is the national workplace relations tribunal. It is an independent body with power to carry out a range of functions relating to labour rights and labour standards as well as fair labour practices. Nevertheless, Australian unions continue their efforts to increase the minimum wage, to protect employee entitlements and to extend family-friendly policies.

Finally in-depth case study of Cambodia garments manufacturing industry where produce good labour standard with the assistance of ILO and other stakeholders which
could be role model for other countries. The ILO is universally recognised as the focal organisation where agreement on labour standards and labour rights can be reached, because of its mandate, its unique tripartite structure (involving global representation of trade unions, employers, and governments), and its broad membership. They play an important role in ensuring that labour law is applied equally to all employers and workers (ILO, 2005). It also provides the only functioning supervisory mechanism, and is central to the international legal arrangements for labour standards. It is widely acknowledged that ILO monitoring has resulted in improvements in Cambodia’s factories and working conditions where most of the factories paying workers a minimum wage, providing paid leave each year and ensuring no child labour. Labour welfare and occupational health and safety issues have also been improved (Polaski, 2006). Thus, Cambodia labours’ have the same level of productivity and the same lead-time but its garments industry is obviously a role model for other countries.

There are 6 (six) general case studies, several single case studies and one in-depth case study which specify HR practices, government polices, the role of trade union, treaties and bilateral agreements, threat and international pressure, ILO mentoring system, decent work, core labour standards, effective monitor and surveillance program to other countries, government mechanism, effective law enforcement, role of stakeholder and international community (ILO, WTO, UNICEF and others) for improving working conditions in the Bangladesh RMG industry.

The few case studies that exist suggest that monitoring plays a significant role in manufacture industry’s working conditions, and that code compliance can improve factory performance. In this research study ILO supervisory and monitoring system and Cambodian Better Factory Program are used as a role model for the Bangladesh RMG industry. In addition, a non-governmental monitoring system is also considered. The lessons from Cambodia and similar countries would be useful in appreciating effective role of the stakeholders. All the ideas and best practices are synthesised and these may be adapted to establish Social compliance and remove labour unrest in the RMG sector.
Chapter 7

7.0 Conclusion and Recommendation

7.1 Conclusion

The readymade garments industry in Bangladesh has been the key export industry and a main source of foreign exchange for the last 25 years. Though the RMG had a rather late start in 1976, it soon established its reputation in the world market. As a result of an insulated market guaranteed by Multi-Fibre Agreement (MFA)\(^4\) of General Agreement Tariff and Trade (GATT) and supportive policies of the Government of Bangladesh (GoB), it attained a high profile in terms of foreign exchange earning, exports, industrialization and contribution to the GDP within a short period. Bangladesh exports RMG products mainly to the United States of America and the European Union. Bangladesh exported garments worth the equivalent of $12.34 billion in 2009, which was about 4.47 per cent of the global total value ($276 billion) of such exports. The industry provides employment to about 3 million workers and more than 10 million inhabitants are indirectly associated with this sector.

Despite the unique success of the RMG sector, the poor working conditions in the factories and the lack of Social compliance\(^4\) are serious concerns. In fact, most of the RMG factories do not practice the HR and IR activities, ineffectively address labour rights and ignore labour standards, discarding fair labour practices, overlook health and safety issues and disallow trade unions. Furthermore, law enforcement is poor and entrepreneurs as well as the government pay inadequate attention to the improvement of working conditions in the RMG sector. As a result, workers’ rights are grossly violated in the RMG sector, which has led to labour unrest.

\(^4\) Multi-Fibre Agreement [International trade agreement under which two countries may negotiate quota restrictions on textile and apparel imports from each other. MFA restrictions are normally prohibited under World Trade Organization (WTO) rules and must have been phased out by 2005] (MFA)

\(^4\) Compliance is defined as code of conduct, specification and or standard that must be followed by business organizations. Compliance issues are recognised by ILO and WTO mechanisms (Anand, 2006).
For the above reasons, many international buyers (US, EU, Canada and others) consider that the products are produced in abusive and exploitative conditions which do not adhere to labour rights, labour standards and working conditions. Now they have demanded compliance with their own Codes of Conduct before placing any garment import order, particularly since the expiry of the Multi-Fibre Agreement Quota system. As the sector is an important exchange earning component, necessary measure are required.

The global apparel market no longer depends only on technical and economic standards but also on social standards, especially labour standards. In order to export RMG products, it is not only quality, which is important, but also the working environment in which the garments are produced. If the RMG Industry fails to implement Social compliance according to the International Labour Standards, it may loose global markets. The RMG industry is at a critical point and responsible authorities, especially the Bangladesh government and the garments manufacturers remain ineffective in protecting workers’ rights in the RMG sector. Considering the importance of worker’s rights for remaining competitive, RMG factories should address labour rights according to the ILO labour standards and to the national labour laws.

In Bangladesh, working conditions are often deplorable. Although the garments industry belongs to the formal sector, the recruitment procedure is largely informal compared to western practice. As there is no contract or appointment letter, millions of garments workers are vulnerable to losing their jobs at a moment’s notice without benefits. The termination of an employment relationship is likely to be a pathetic and miserable experience for a worker and loss of income badly affects his or her family. Furthermore, gender issues in majority garments factories are undermined causing job insecurity, irregular wage payment, deprivation of minimum wage and promotion exposure. In fact compared to other employment sector in Bangladesh, job insecurity is higher in the RMG sector (Majumder and Anwara, 2000; Priyo, 2010). In order to protect workers’ rights and job security, workers should be provided with

50 Internationally accepted labour standards are those included in the concept of decent work introduced by the ILO in 1999, and they focus on wages, working hours, overtime, health and safety, job security, the right to form trade unions and environment security.
appointment letters detailing the conditions of employment.

Wages being a major cause of disputes, the higher law courts of the country have also been involved. The wage structure of an industrial enterprise is built on the premise that each job has its own price; it depends on skill, training and academic background and also sometimes depends on geographical background. The wages that an employer is willing to pay depends on his philosophy, his capacity to pay, his competitive position, and his ability to attract and retain a workforce by factors other than that of wages. In fact, the RMG wage level in Bangladesh is one of the lowest in the world, even by South Asian standard. In contrast with US apparel labour charge per hour (wage and fringe benefits) of US$ 16.00, the RMG worker receives a minimum wage of US$ 0.15 (Rahman, 2004). While workers are afraid of losing their jobs, they are more willing to accept lower wages in order to keep their jobs. When wages are low, workers have to work long hours (over time) in an attempt to earn extra for a decent living. Although the government, garments owners and workers have decided on a salary structure, unfortunately the RMG sectors do not have a minimum wage. The factory owners are required to abide by the laws that regulate minimum wages, working conditions, eco-labeling, and the rest of the garments factory workers.

As they do not know the legal provisions on employment contracts, an excessive working hour is one of the most common labour standards problems in Bangladesh. Equally, worker has no choice; they are compelled to take up the excessive workloads. Long working hours without any opportunity for relaxation is, in fact the most important reason for adverse health impact of women employees. Health insecurity arises from violation of another labour law, which provides for a weekly holiday and leave facilities.

Leaves are an important aspect of the workers’ terms of employment. It has several implications both for the improvement of production performance and workers functional needs. The local law provides for five types of leaves such as annual leave, casual, festival, sick and maternity leave. The above legal provisions have not been changed in the last couple of years and employers claim to provide leaves to workers as and when applied for. RMG workers however claim that although there are
provisions for leaves, the leaves are not available.

Most of the garments workers are not satisfied with their present job in the RMG sector. Workers frequently change their jobs because of wage arrears, lay-offs, irregular payment, excessive working hour, forced labour, ill health or harassment from the bosses and their security guards (DWP, 2000).

The level of wages is the most significant source of dissatisfaction for workers in the RMG industry. RMG owner often deny that they have the power to improve the wages or conditions of workers. Moreover, prospects of promotion in the RMG industry of Bangladesh are uncommon. In most cases, garments workers remain in the same job throughout their working lives. There is limited opportunity for training facilities in the EPZ sector for high officials, but in the private sector it is restricted (Paul-Majumder and Begum, 1997).

Most of the garments factories do not have standard working hours. Though most work until after dark, there are no safety measures for them and no residential facilities or transportation facilities provided. In deed, about 90 percent of garments workers in Bangladesh are female. As a result, they frequently feel insecure, and for good reason many garments workers are raped and abused (Kabeer, 2004; Shimu, 1999; Mondal, 2000). Sexual harassment as well as killing by management is also found. Lani Fashion Limited is an example of such violence (Priyo, 2010). The liability for a safe life and safety environment in both cases is that of the employer. The employers are allegedly not taking care of the workers but exploiting them for their business interests.

Benefit sharing is the action of giving a portion of advantages or profits derived from the use of human resources to the resource providers to achieve justice in exchange, with a particular emphasis on the clear provision of benefits to those who may lack reasonable access to resulting global standard products and services without providing unethical inducements (Schroeder, 2008). There is also no mechanism for benefit sharing in RMG industry. They do not have a bonus payment system for workers as provisioned in the labour laws nor do they have provision to increase salaries for changing profitability and inflation. Labour unions, government officials and experts
agree that such benefit sharing is acutely lacking in the garments industry.

There is a communication gap between workers, management and owners in the RMG sector. In the RMG sector, workers control by a work supervisor who represents on behalf of employer. There is no scope of employees to talk their issue with RMG authority. As there is no HR or PM unit and there are restrictions on trade union in the RMG factories, there is limited opportunity for workers to claim improved wages, health and safety from management. As a result, serious unrest in the RMG factories has been common place over the last few years. This communication gap between the parties could be resolved by the adoption of sound strategic policies and healthy HR practices.

Collective bargaining is the normal means of fixing wages and settling disputes in the formal sector, where trade unions are represented. In the informal sector, employers set conditions unilaterally. Although the RMG is a formal sector, there is no acceptance of the right to organise at the factory level and owners fear trade union. As a result labour unrest is common in the RMG sector. In June 24, 2010, some 250 garments industry in Bangladesh almost closed due to strikes, demonstration and battles with government and entrepreneurs’ private security forces (28 July, Prothom Alo). Governments should take affirmative action to ensure that the right can be exercised by examining the content of laws and the associated legal structure to protect freedom of association, and effective measures in implementing the laws.

Dispute resolution has become more complex, involving employees, management, unions, other firms, and government agencies. When disputes eventuated, unions would regularly take strike action, until the government arbitrator stepped into resolve

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51 The informal sector that is neither taxed nor monitored by a government, and is not included in that government's Gross National Product (GNP), as opposed to a formal economy. The ILO/ICFTU international symposium on the informal sector in 1999 proposed that the informal sector workforce can be categorized into three broad groups: (a) owner-employers of micro enterprises, which employ a few paid workers, with or without apprentices; (b) own-account workers, who own and operate one-person business, who work alone or with the help of unpaid workers, generally family members and apprentices; and (c) dependent workers, paid or unpaid, including wage workers in micro enterprises, unpaid family workers, apprentices, contract labour, home workers and paid domestic workers.
the dispute. Neither ILO Convention No. 87 nor No. 98 mentions the right to strike, but a long tradition of ILO jurisprudence has established the right to strike as an essential component of collective bargaining (Swepston, 1998). As with collective bargaining, however, a government establishes conditions that limit or constrain the right to strike. Workplace disputes usually needed to be resolved or arbitrated because of a basic conflict: employers wished to set the terms and conditions of employment for each individual, while employees and their unions wished to bargain collectively with employers to maintain improved wages and entitlements. Although workers’ wages and conditions improved under conciliation and arbitration, employers felt that this system of dispute resolution is too costly to business and biased towards the collective bargaining preference of unions. The role of government is to provide the umbrella regulatory and legal framework within which employer-worker differences and disputes can be reconciled in an efficient, peaceful and equitable manner.

Awareness comes through education, which is a vital step in helping organise workers in order to reclaim their rights. According to the ILO definition worker education are worker voluntarily undertakes all kinds of education to enable develop their individualities, fulfil their responsibilities as workers and as citizens and to take active part in the social economic and cultural life of the modern society within the frame work of local and international (world) citizenship (ILO, 2002). Most of the garments workers are illiterate and they come from rural areas. They do not know what their rights are or how they might pursue them and do not even understand the concepts of freedom of association and collective bargaining. They might not know where to seek assistance. Therefore, a positive agenda of promoting compliance should include educating workers about their rights and benefits, dispute resolution, fair labour practices in facilitating of best practice in the workplace through unions, employer groups, labour-oriented NGOs, and other stakeholder groups.

The working environment in Bangladesh RMG sector does not meet the ILO minimum standards. Health and Safety regulations are routinely ignored by management and are hardly enforced by government. Many workers suffer from constant fatigue, headaches, anaemia, fever, chest, stomach, eye and ear pain, cough and cold, diarrhoea, dysentery, urinary tract infection and reproductive health problems due to overwork, uncongenial working conditions, and wide-ranging labour
law violations. In fact the Factories Act of 1965 sets the occupational safety and health standards in Bangladesh, but like every other aspect of the Labour Code, it is rarely enforced due to the lack of resources and corrupt practices in the system.

Moreover, many of the factories do not meet the minimum standards prescribed in building and construction legislation (Factory Rules 1979). As a result, fire is common, buildings often collapse and faulty building design regularly results in the death of workers. Compensation following an incident is rare. The government inspection office under the Directorate of Labour is responsible for overseeing the building code and verifying whether the building have been built according to the rules and incorporate essential safety features. Violations of the occupational safety and health codes are widespread, as evidenced by tragic and preventable accidents that occur.

Governments have labour inspection mechanisms that are supposed to monitor labour rights violations in different workplaces. But the proper application of labour legislation depends on an effective labour inspectorate. Labour inspection examines how national labour standards are applied in the workplace and advise employers and workers on how to improve the application of national law in such matters as working hour, wage, occupational safety and health and child labour. In addition, labour inspections bring to the notice of national authorities loopholes and defects in national law. But the current labour inspection system is clearly not adequate for thousands of factories and millions of labours. It is recognized that lacking in resources such as staff, training and skills and other logistics of the labour inspectors has made Bangladesh vulnerable to the establishment of ineffective Social compliance.

It is fundamental that each country maintains a viable and active labour administration system which is responsible for all aspects of national labour policy formulation and implementation. Countries have legislation and literally provide workers rights and benefits but government often fails to enforce properly. Furthermore the labour legislation in Bangladesh dates back to the British administration, and much of it is obsolete and outdated. Despite this fact, some changes, to align with ILO conventions have been put in place, but the existing labour legislation is still inadequate and the industry remains almost unregulated.
Bangladesh is committed to securing labour rights for the well-being of workers by virtue of ILO membership. In response, the Bangladesh government formed a Social Compliance Forum (SCF) and also constituted two task forces on a) labour welfare, and b) occupational safety in the readymade garments (RMG) sector along with a Compliance Monitoring Cell (CMC) to encourage compliance in the RMG sector. In addition BGMEA has also formed a Safety Cell to protect fire-related emergency problems. With respect to the tripartite MOU (Memorandum of Understanding) BGMEA monitors started visiting factories to measure of Compliance and to ensure the implementation of minimum wages and other basic labour rights and to monitor the application of Labour Law in RMG factories (Choudhury R.S and Hussain G., 2005). But the concern is that both agencies are failing to perform their activities due to a lack of trained staff and labour inspectors, rigid structure and because they are overloaded by other responsibilities. The current level of maintenance of compliance with hygiene and safety standards is not adequate and reported tragedies such as the incidence of fire in the garments industry are common. Such accidents seriously tarnish the image of Bangladesh and could cause buyers to turn to countries where tragedies of this type are less and maintain OHS properly.

An impediment to compliance of Bangladesh RMG industries is the lack of available information, which hinders any sort of assessment of compliance in the country. International buyers need to know about the manufacturing system, working environment and working conditions. Although BGMEA has established a computerised Information and Data Collection System, it only provides information on trade and market conditions.

Nevertheless Bangladesh was able to solve the problem of child labour very successfully in the mid-1990s, it was not entirely successful in preventing ex-working children from being dragged into hazardous employment. However, the ILO adopted the International Program for the Elimination of Child Labour (IPEC) and the International Confederation of Free Trade Unions (ICFTU) has played a major role in implementing this program at the local level. But the program seeks to provide educational opportunities for children, while reducing or, if feasible, eliminating the hours spent at work. It is limited to tracking the process of removing child labours from work and placing them in schools.
In conclusion, RMG workers are largely deprived of their rights and benefits as defined by existing labour laws, especially these related to appointment letters, job security, a provident fund, gratuities and working hours. Most RMG factories do not incorporate HR and IR activities and to a large extent ignore labour rights and standards and health and safety issues, discard fair labour practices and disallow trade unions. Furthermore, law enforcement is poor and entrepreneurs as well as government pay inadequate attention to the improvement of working conditions in this sector. Although the Bangladesh government has established a Compliance Monitoring Cell (CMC) for the improvement working conditions, the working environment still does not meet the ILO standards. The violations of workers’ rights and core labour standards are generally accompanied by other serious violations of human rights (DFID, 2004). Labour standards, which are human rights, are universal in application. Thus, the institutional mechanisms at the national and international level for bringing this about must remain a high priority.

7.2 Recommendation

Social compliance of RMG factories is a key requirement for most of the worldwide reputed garments buyers. It ensures all labour rights, labour standards, fair labour practices and Code of Conduct according to the ILO and WTO conventions. Working conditions in the RMG sector do not meet the ILO standards. As a result of consumers constantly reject products produced in exploitative circumstances.

Employees have the rights to limits on their work day; make sure safety workplace, to be paid a minimum wage, to guarantee job security, to ensure leave entitlement, to provide rewards such as promotion, incentives training for skill development and benefit sharing and right to form organization. Therefore, working conditions should be protected by effective rules and regulations that guarantee workers’ rights, to ensure a social safety net, useful OHS policies, suitable building code and effective law is to be considered for the improvement Social compliance. Consequently,

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52 Workers’ rights are a group of legal rights and claimed human rights having to do with labour relations between workers and their employers, usually obtained under labour and employment law (Stefanie Grant & Harrison Grant, 2005).

53 Labour standards are legal instruments drawn up by the ILO’s constituents (governments, employers and workers) and setting out basic principles and rights at work (ILO, 2009).
Effective national policies are required for the improvement of working conditions in the sector. The government will need the regulatory freedom and flexibility to modify policies as well as needed resources to enforce labour standards and associated human rights. These policies may be adopted from ILO labour standards or developed from the country’s own labour standards.

An employment relationship between an employee and employer arises out of a contract to perform services especially work. An Appointment letter is permanent on contrast to a contract, for a fixed period for a certain task. Employment letters should include flexible working arrangements, maximum weekly hours, annual leave, personal leave and parental leave, the required notice for termination and redundancy pay. They should include all the legal requirements at least, a reference to additional material that defines the conditions of employment. This includes duties at common law on employees such as: to follow lawful and reasonable instructions; to act in good faith in the course of carrying out his or her employment duties; to avoid conflicts between his or her personal interests and the interests of the employer; not to improperly use the information and property of his or her employer; not to disparage or cause deliberate damage or harm to the employer. The general principles relating to contract law necessarily apply to every employment contract. Then the government and Compliance Cell can monitor whether the RMG factory has provided an appointment letter and whether it observes fair labour practices.

A wage is compensation, usually financial, received by workers in exchange for their labour. Workers in the Bangladesh RMG sector often work long hours for unusually low pay, regardless of laws mandating overtime pay or a minimum wage. However, the government has formed a wage board to re-fix an acceptable minimum wage in the backdrop of recent unrest at the RMG units in the country. So far, the government fixed the minimum wage four times, first at Taka 600 (US$8.5), second at Taka 975 (US$ 14), at Taka 1662 (US$ 25) and recently at taka 3000 (US$ 43.7) (30 July, the Prothom Alo, 2010: 03 August, Janakantha, 2010). But the present minimum wage is not only inadequate but also has been described as inhuman. The level of pay is the most significant source of dissatisfaction for workers in the RMG industry. For example recent garments workers unrest in the RMG sector resulted from poor and irregular wages. Therefore, a moderate wages fixing process is required.
Many countries in the world have a satisfactory system for fixing wages. For example, in Australia, a Minimum Wage Panel in Fair Work Australia (FWA) is responsible for setting minimum wages for employees in the national workplace relations system. Fair Work Australia performs its function by reviewing modern award minimum wages as well as making a national minimum wage order for award-free employees each year (FWO Factsheet-Australia, 2010; Maconachie, Glenda, Goodwin and Miles, 2009). Similarly, in Cambodia, the government factory association, the labour unions and international institutions have all played an important role in improving wage rates and labour conditions in Cambodia. The government has also made progress in enforcing ILO core labour standards in clothing factories (Morshed, 2007). Therefore this research suggest that a commission comprising government representatives, RMG owners, buyers, TU representatives and other stakeholder groups, to set a fresh minimum wage structure. In addition, the Compliance Cell should also monitor whether the wage paid complies with that set by the commission.

Hours of work greatly influence production levels. If the hours of work are unsuitable the workers may be absent or quit. Long working hours or period without breaks, risks of employees developing fatigue, as well as muscle and soft tissue injuries, may increase if the work is uncomfortable or repetitive. Working hours must therefore, so far as is reasonably practicable, be designed and managed in such a way so as to minimise the impact of working hours on the health, safety and welfare of employees. It should be noted that working life and personal life are inter-related, and both can impact on each other. Employers do all that is reasonably practicable to allow for some flexibility in working hours that will enable employees to meet both work and personal commitments. Australia provides a good example for managing flexible working hours in workplace (Source: Safe WorkSA, 2010).

Compensation (payment, hourly wages or annual salaries) and benefits (insurance, pensions, vacation, modified workweek, sick days, stock options, etc.) can be a catch-22 because an employee’s performance can be influenced by compensation and benefits, and vice versa. In the ideal situation, employees feel they are paid what they are worth, are rewarded with sufficient benefits, and receive some intrinsic satisfaction (good work environment, interesting work and others). Compensation should be legal and ethical, adequate, motivating, fair and equitable, cost-effective,
and able to provide employment security. Compensation and financial support following injury should be a joint responsibility of government and owners (Cherrington, 1995). Compliance Cell should monitor whether victim workers have received compensation.

Employee benefit plans or incentives are voluntary offerings by the firm. Expenditure on benefits contributes to employee retention through increasing job satisfaction and improved productivity. Many industries provide workers certain tangible benefits over and above the basic pay. Some benefits help fulfill the social and recreational needs of workers, for example, a festival bonus, a target bonus or a production bonus. These benefits may provide financial protection against risks such as illness, accident, unemployment and loss of income due to retirement and so on. They may provide extra leisure, extra income and a better work environment. Such incentives enhance employees’ loyalty and build a positive attitude towards the company and workers feel that they have a role in the success of the organization. Thus, incentives are important in reducing dissatisfaction and unrest in an industry.

One key to enhanced productivity is job satisfaction. Good management has the potential for creating high morale, high productivity, and a sense of purpose and meaning for the organization and its employees. The behaviour of the workers is greatly influenced by their treatment and by behaviour of the supervisor. The supervisor represents management to the workers. So the behaviour of the supervisor may change the workers attitudes towards management. Managers who want to maintain a high level of job satisfaction in the work force must try to understand the needs of each member of the work force. Managers who are serious about the job satisfaction of workers can also take other steps to create a stimulating work environment. One such step is job enrichment - is a deliberate upgrading of responsibility, scope, recognition, and opportunities for growth, learning, achievement and challenge in the work itself (Daft, 1997). In addition, managers can also enhance job satisfaction by carefully matching workers with the type of work. As much as possible, managers should match job tasks to employees’ personalities. An example is Robert Owen a Scottish operational manger in Textile and clothing industry who was concerned about the evils and inhumanity and the process of industrialisation, and advocated for Human rights. In consequence, Owen tried to win the confidence of
workers by improving working conditions and extending worker facilities. This led to increased productivity (Rao and Rao, 1998). Thus, modern HR practices can play a key role in improving working conditions in the RMG sector.

Education, which focuses on learning new skills, knowledge, technology and attitudes to be used in future work, also deserves mention (Nadler and Wiggs, 1986). Job satisfaction, better productivity, employee efficiency and skill development depend on training. Training focuses on learning the skills, knowledge, introduce new technology, and attitudes required to initially perform a job or task or to improve upon the performance of a current job or task, while development activities are not job related, but concentrate on broadening the employee’s horizons (Nadler and Wiggs, 1986). Worker should be given opportunities to upgrade their skills through training. The skilled worker should be entitled to extra financial incentives for working as trainers. The outcome is an increase in training and Cambodia is a good example (quoted from Case study 7). A comprehensive training strategy should be incorporated in the RMG sector. In addition, the formal contract letter or appointment letter should include details of placement, job security, salary increments and promotion and be tied to training performance.

The working environment is the most important factor for sustaining and improving the efficiency of the worker. It is because the worker is a human being first and a producer second; the environment in which he has to work affects his working efficiency. Unhealthy and unhappy workers doing their jobs under conditions of physical and mental stress are inefficient producers, unlike machines, which are relatively indifferent to their surroundings. The physical working conditions depend on many factors, temperature, ventilation, lighting and sanitation, nature of the floor and stairs and equipment installed. So the working environment is not only conducive to better health and safety but also to worker well being. Ensuring workers’ health and safety, ergonomics and friendly environment in the workplace not only meet human rights but also save lives. Good standards of hygiene must be maintained and there must be set routines regarding first aid and the procedure in the event of injury. Safety in an industry also influences production. The employer has a responsibility to the worker to his family and to society to provide a work environment that is reasonably free from conditions that would in any way have a detrimental effect.
upon the workers physical wellbeing. While most management are motivated to provide desirable working conditions by virtue of their sensibility to human needs and rights they also recognize that accidents bring avoidable and unnecessary costs to an operation. Therefore, occupational safety should be institutionalized in the sector.

In the garments factories, workers’ agitations often turn violent as factory owners find no acceptable representatives from the workers to negotiate effectively due to absence of trade unions. If registered trade unions are allowed in RMG sector, it could help narrow the gap between owners and workers and prevent disputes from explosion of violent outbursts. The government and factory owners remove all the obstacles for formation, registration and bargaining capacity of a trade union where workers can place their demands easily and can avoid destructive paths to meet their demands. For example in Cambodia labour unions are very active in the clothing sector and have acted as mediators between workers and factory owners to settle disputes and discuss wages. Therefore, Government should take affirmative action to ensure that the right can be exercised by examining the content of laws and associated legal structure to protect freedom for union and collective bargain.

Disputes may be solved at the workplace; negotiation can be effective when third parties such as unions and the employment advocate are involved during collective or individual bargaining. Managers must get involved as early as possible and attempt to diffuse and resolve the dispute to the satisfaction of both parties. Initially managers need to bring both parties together and discuss the situation. Negotiation between conflicting parties with a manager as mediator is the best, most direct way to handle the situation. In case of disputes are not able to resolve in the workplace, mediation where a neutral third party helps employers and employees reach agreement is required. In recent times, disputes have been resolved internally, with the increase in human resource departments; experts in conflict resolution are available to assist dispute resolution. There is a need for institutional interventions to improve the employment relationship and to protect workers’ rights. Consequently, the government with the assistance of ILO and other stakeholders can establish an arbitration cell for the RMG sector to support the RMG worker and management in dispute resolution.
The industrial relationship between worker and the management is desired to be cordial, cooperatives and enthusiastic as well as peaceful and orderly. Moreover better interaction between workers and management at the organization level can lead to professional developments to the benefit of the individual workers as well as the industry. Therefore, a cohesive formal and informal communication should be developed to create better relationships, and initiatives to be taken by the top management and the garments owners association. Management and labour negotiations should be bipartite rather than tripartite equally both management and labour should adopt such a Code of Conducts, which provides agreed rules for their relationship.

The recent labour unrest has drawn the attention of international communities and buyers to workers’ rights and Social compliance in the RMG sector. As a result, the international communities and buyers have placed conditions on garment purchase orders. Compliance of RMG factories is a key requirement for most of the reputed global garments buyers that compliance ensures all labour rights and facilities according to the buyer’s Code of Conducts. Hence, Bangladeshi manufacturers must meet themselves with compliance tools in order to maintain the dynamism of their industry. This research suggests the need for capacity building, for strengthening the monitoring system and equal facilitating the dissemination of best fair labour practices in the sector.

As the concerned government agencies are overloaded by their existing responsibilities, the government should recruit additional staff and provide necessary training so that the CMC (Compliance Monitoring Cell) can operate efficiently. Consequently an effective vigilance and inspection team could be formed with the assistance of government, NGOs representatives from international agencies such as ILO, WTO, UNICEF, UNDP and other stakeholders in order to monitor and surveillance the labour rights and other issues under the Compliance Cell.

Compliance is a more important factor in achieving a garments export order, than the quality of the product or whether the RMG products are produced in an abusive environment or not. Recently BGMEA and BKMEA have initiated the development of a database on the compliance standard of RMG units. However, this database does
not maintain adequate and correct information and is not kept up-to date. In line with
the above, the Compliance Cell could publish annual public reports on areas of
compliance and non-compliance with local labour laws, core labour standard, decent
work. WTO and ILO Conventions corrective action plans should be generated to
address violations. Then the state must protect these rights by creating a system for
complaints concerning violations, adjudication, remedies, and punishments.

Bangladesh was able to solve the problem of child labour successfully in the mid-
1990s, the country’s performance in improving the factory-working environment is
not yet satisfactory. Even though Bangladesh is a signatory to the international
conventions on labour standards and human rights, it has only implemented them
partly or not at all. The government and other stakeholders should facilitate the
provision of education or skills to former child workers extracted from the RMG
sector. It also recommends that the government should monitor the garments factories
to stop child labour. Such monitoring systems should be effective and pursued by the
government, NGOs and international recognized body for sustainability.

Child worker removed from the workplace and placed schools, can result in a
significantly loss of income for their family. Most of the child worker’s parents keep
children out of school, preferring to have them working for money or helping with
household chores. The ILO, NGOs, government and other stakeholders should
provide some incentive for those children who have lost their jobs. Therefore, the
formulation of a National Plan of Action for the elimination of child labours in the
Bangladesh is urgent. The challenge now is to ensure that the relevant provisions are
incorporated into legislation at the national level, and systematically implemented.

Maintaining compliance has gradually become one of the important factors for
competitiveness in the global apparel market (Moazzem, 2005). Since this standard is
perceived as the image and reputation of the product, the organisations may consider
the benefit in terms of improved public awareness of their activities (Hancock, 1998).
This also includes willing compliance with employment, health and hygiene, safety,
and environment laws and respect for basic civil and human rights (Strum and Muller,
2000). Therefore, research identifies the need to improve capacity of the institutions
concerned with Social compliance.
Social compliance directly affects decent work and requires setting up labour standards with a multifaceted approach, better monitoring of Corporate Codes of Conducts and fair labour practices. It could also provide an effective forum for discussing contentious issues in a constructive way and disseminating information. Increased interaction between workers and management at the firm or organisation level can lead to professional developments to the benefit of the individual workers as well as the industry. In view of the above, the Government in collaboration with the employers, trade union bodies, and multilateral agencies may develop a strategy of gradual and incremental implementation of a decent work strategy.

As a part of the decent work development strategy, social dialogues involving employers, workers, policymakers and representative from multilateral agencies should be promoted. It has been found that ILO monitoring and supervisory system has developed labour standard in Cambodia garments manufacturing industry by increasing the minimum real wage, providing paid leave each month, resolving labour dispute, developing skill, improving transportation and ensuring no child labour as well ensuring occupational health and safety. Therefore, an external watchdog like ILO would be useful in monitoring the establishment of Social compliance in Bangladesh RMG Industries. In addition, initiatives of the entrepreneurs, trade unions, ILO and other international organisations, multinational agencies, government is required to monitor and surveillance in implementing the decent work. If monitoring and surveillance do not work effectively, the issue of strengthening ILO and WTO enforcement powers may be considered.

The Social compliance issues are fundamental to the workers’ interests but at the same time these are costly to implement. Many RMG factory owners’ finding it difficult to cope with the additional costs consequent on these compliance demands by foreign buyers. There is a need for harmonising the demand for Social compliance by international buyers in order to avoid unnecessary costs and confusion on the part of export industries in Bangladesh. Provide attractive financial and fiscal incentives to the compliant firms may be considered. It may be possible to arrange funds for these factories so that improvement of certain infrastructural facilities can be supported.
Moreover administrative reformed are required in this sector. The reforms should be introduced flexible working conditions with satisfactory method to maintain accountability.

An applied approach by the government is more potential to be effective in implementing labour standards. Within the RMG sector, multi-stakeholder dialogues are needed, which involve buyers, suppliers, trade unions and government representatives, ILO, WTO, to discuss measures labour standards and ensure fair trade\(^5^4\). The WTO and ILO must encourage its members as well as Bangladesh to ratify and implement core labour standards. These standards have been endorsed universally precisely because they do constitute what is globally agreed to be a minimum set of basic workers’ rights that can and must be protected. Moreover conditional trade sanctions, or the threat thereof, will change the behaviour of a foreign government when that governmental perceives that costs of the sanction will greater than perceived cost of complying with the sanction’s demand. The WTO is a powerful agency that could enforce labour standards with the nightstick of sanctions. On the other hand, non-compliant factories could be brought under a temporary ban from the generalised system of preference (GSP) by the authority concerned, so that they do not receive tax exemptions in the exporting country. This threat could come through stakeholder groups such as international buyers and international agencies. Vietnam is the best example of improved workers’ rights through an agreement with U.S. and Vietnam in November 2000 (Case study 4). Recently the US government threatened to withdraw GSP facilities unless of trade unions were permitted in the RMG sector. As a result, most of the EPZ investors declined to invest in the RMG sector. Now the EPZs’ authorities are considering TU activities in discussion of entrepreneurs in the EPZ sector. Thus NGOs, civil society, trade unions and other stakeholders could work together to adopt a Code of Conduct for a viable and competitive RMG industry.

\(^5^4\) Fair trade is a social and economic movement which promotes international standards of ethical production, labour and environmental policies in the trading of goods or commodities. It includes principles such as payment at a fair price and gender equality. Fair-trade Standards are developed by the FLO Standards Committee which is composed of FLO’s labeling initiatives, producer organizations, traders and external experts. Producers and traders need to comply with the applicable Generic and Product Standards (FTAO, 2007).
More progress would have been made on the improvement of working conditions if the Bangladesh Government had paid more attention to existing labour law and enforcement. Indeed government actions to enforce labour standards and human rights in the RMG sector are minimal. Therefore, a thorough review of labour regulation needs to be carried out so that the working environment and working conditions can be brought into line with the country’s current realities and should be backed with the resources necessary to ensure compliance. Government initiatives for the effective implementation of existing labour laws can improve workers’ rights and working conditions. In one case, international pressures played a very significant role in bringing about laws to improve working conditions in Indonesia.

In order to protect labour rights, job security and other benefits, workers should be provided with appointment letters detailing the conditions of employment. Fair labour, modern HRM practice and IR activities are needed to improve working conditions in the RMG sector. HRM ensures that labour standards are addressed, that workers’ rights are not violated, and that there is a safe working environment. HRM can create a congenial work environment in the RMG factories that enhances job satisfaction, through training, job security, introducing flexible working times, encouraging new technology and introducing rewards, benefits and others fringe payments. Furthermore, labour disputes can be settled through IR practices. HR managers deal with union organizations for resolving collective bargaining issues such as wages, job security, contract period, workers and management rights, discipline procedure, compensation and benefits and other labour disputes. In fact, most of the garments factories have no well-defined HR or PM unit, as a result, workers’ rights are minimal.

The research suggests that there are many benefits from the introduction of modern HR and IR activities through the establishment of HRM or personnel management unit in the RMG sector. The government needs to pay much more attention to monitoring compliance. A modified Code of Conduct and an effective Compliance Monitoring Cell (CMC) are also required. In line with the Bangladesh Government, the ILO, international agencies and other stakeholders should work in synergy under the supervision of an effective monitoring and surveillance system.
7.3 Future Research Agenda

The outline of the research includes stating the problem, listing the research questions, describing the methods used to conduct the research and any potential flaws in the method used, explaining the data gathering and analysis techniques used, and concluding with the answers to the questions and suggestions for further research.

This research identifies that most of the garments factories do not practice HR and IR activities due to absence of HR or PM unit. On the other hand, uncongenial working conditions, and wide-ranging labour law violations, absence of adjudication, remedies, and punishment are hindrances to establish Social compliance.

Compliance is a key requirement for all global buyers; a common compliance standard needs to be established to take care of domestic legislation as well as buyers’ requirements (Code of Conduct) and be enforced through a monitoring agency. Without proactive commitments from the government in implementing labour legislation and regulation, effective role of buyer and international community and other stakeholder group it will be difficult to establish Social compliance in the RMG sector. However, the government has formed a Compliance Cell to monitor the working conditions in the RMG sector, but the Compliance Cell is limited in their operation. An alternative approach may be explored in consultation with the government, RMG industry and ILO.

Implementing labour rights and labour standards in the RMG sector is not an easy task. In order to survive and flourish in the increasingly competitive global garments trade, reform to be undertaken and forces need to be joined among the main actors to build a competitive RMG sector in Bangladesh. As consumers constantly, reject products produced in exploitative circumstances, workers tights should be protected by effective law. The WTO and ILO must encourage its members as well as Bangladesh to ratify and implement core labour standards. More and better monitoring of corporate Codes of Conducts in collaboration with employers, employee, multilateral agencies, NGOs, civil society, Trade unions and other stakeholder groups should work together to adopt the Code of Conduct for a viable and competitive RMG industry. In addition, monitoring and surveillance are required
in the RMG sector. Without monitoring and surveillance program, efforts to improve the legislation will be ineffective. Therefore, this research demonstrates the ILO monitoring system for establishing workers’ rights in the RMG industry in Bangladesh.

The research suggests that working conditions may improve with the establishment of HRM unit or Personnel Management unit in each industry, and best practices in the concept on Industrial Relations, Stakeholder theory, Socio-Political HRM Practices, Legitimacy theory, Trade Union concept, Natural Right’s concept, Citizen Right’s concept and ILO monitoring system approach. This research has described different approaches to establishing Social compliance in the RMG industry.

In fact, the socio-political structure and working environment is totally different from other countries. Therefore, it is adopted for the ILO monitoring system in the EMSS model. To present contributions of this research in the context real-life current problem in the RMG sector, the research exploits a generic framework and used a combined model for establishing Social compliance in the Bangladesh RMG industry.

A modality should be developed to improve the social safety net for the RMG sector and how government, NGOs, UN agencies (ILO, WTO, UNICEF, UNDP), international community, civic society, employers, unions and other stakeholders will work together in establishing Social compliance. This research and policy agenda must be considered on the basis of Socio-political context.

7.4 Limitation

Initially this research was designed based on primary and secondary data collection tools. While reviewing the literature and background history of the RMG growth, it was found that the key focus group (the garments workers themselves) was grossly illiterate. They have very limited knowledge of human rights, working conditions and labour standards. Most of the garments industry owners are involved with political parties. Therefore, they don’t care about labour issues such as workers’ rights and benefits, health and safety issues and pay less attention to labour standards and concentrate on maximising profit. Moreover, Researchers were prevented from
monitoring garments factory working environments. Thus, field surveys for collection of raw data from the major target group or workers and their analysis are ignored. Consequently the research technique has relied on secondary data, collected through Literature review, Case studies in other countries, Journals, Research articles, Thesis papers, Newspapers, Online news and survey reports, garments Manufacturing Industries Annual reports, BGMEA Yearly report and Files and Focus group discussions. Input with some information or data collected through NGOs working with the garments industries on Social compliance issues was also used.

Research based on secondary data often runs the risk of being journalistic and can be difficult to analyse, with the potential of being superficial. To overcome this criticism, a literature review, focus group discussions, participation in workshops and seminars, case studies and some examples of model countries are included to present comparison with the global industry.

The analysis was further complicated by a differential application of international labour standards and labour rights, ILO Conventions, WTO Conventions and the Bangladesh Factory Act of 1965, Government policy for a triangulation of the findings. Multiple methods were used in a complementary manner depending on the contexts. Therefore, some of the findings from the case studies could not be generalized.

One of the major limitations concerning the compliance standards of RMG units in Bangladesh is the lack of detailed information, which hindered any sort of assessment of compliance standards in the country. From this perspective alone, it is difficult to formulate recommendations for improvement of compliance in these RMG units. However, other sources of information as discussed above provided some opportunity to substantiate the conclusions and recommendations.

There are limitations in this research. Not only are the sources of information often awkward, but there are continuing controversies in Bangladesh in general and the industry in particular about Codes of Conduct, Decent work, the Fair Labour Act, Labour standards, Labour rights or Workers’ rights and Social compliance. Interpretations vary from region to region. Moreover the disputes that surround
acceptable conditions of work, for which no international agreement exists, are even more contentious. All the above make it difficult to assess the level of Social compliance in quantitative terms.

The issues are so multifaceted and complex that it is difficult to judge a government’s interest and its ability to work for the establishment of Social compliance. The sector contains workers, factory owners, buyers, international organization, NGOs and the government. Their vision and missions are different. The inter linkages between them are also complex. On the other hand, governments of developing countries limited in resources such as skilled manpower and logistics to address Social compliance. In fact, many of the RMG units are finding it difficult to cope with the demands of importers, as most compliance issues require additional investments.
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Appendix A

ILO Conventions ratified by Bangladesh

1. Hours of Work (Industry) Convention, 1919 (ILO Convention 1)
2. Night Work (Women) Convention, 1919 (ILO Convention 4)
4. Right of Association (Agriculture) Convention, 1921 (ILO Convention 11)
5. Weekly Rest (Industry) Convention, 1921 (ILO Convention 14)
6. Minimum Age (Trimmers and Stokers) Convention, 1921 (Shelved) (ILO Convention 15)
7. Medical Examination of Young Persons (Sea) Convention, 1921 (ILO Convention 16)
8. Workmen’s Compensation (Occupational Diseases) Convention, 1925 (ILO Convention 11)
9. Equality of Treatment (Accident Compensation) Convention, 1925 (ILO Convention 19)
10. Inspection of Emigrants Convention, 1926 (ILO Convention 21)
11. Seamen’s Articles of Agreement Convention, 1926 (ILO Convention 22)
12. Marking of Weight (Packages Transported by Vessels) Convention, 1929 (ILO Convention 27)
13. Forced Labour Convention, 1930 (ILO Convention 29)
14. Protection Against Accidents (Dockers) Convention (Revised), 1932 (ILO Convention 32)
15. Underground Work (Women) Convention, 1935 (ILO Convention 45)
16. Minimum Age (Industry) Convention (Revised), 1937 (ILO Convention 59)
17. Final Articles Revision Convention, 1946 (ILO Convention 80)
18. Labour Inspection Convention, 1947 (ILO Convention 81)
20. Night Work (Women) Convention (Revised), 1948 (ILO Convention 89)
22. Fee-Charging Employment Agencies Convention (Revised), 1949 (ILO Convention 96)
23. Right to Organise and Collective Bargaining Convention, 1949 (ILO Convention 98)
24. Equal Remuneration Convention, 1951 (ILO Convention 100)
26. Weekly Rest (Commerce and Offices) Convention, 1957 (ILO Convention 106)
27. Indigenous and Tribal Population Convention, 1957 (ILO Convention 107)
29. Final Articles Revision Convention, 1961 (ILO Convention 116)
30. Equality of Treatment (Social Security) Convention, 1962 (ILO Convention 118)
31. Tripartite Consultation (International Labour Standards) Convention, 1976 (ILO Convention 144)
32. Nursing Personnel Convention, 1977 (ILO Convention 149)
33. Worst Form of Child Labour Convention, 1999 (ILO Convention 182)
Appendix B

Laws on industrial workers’ establishments in Bangladesh

Laws on factories
1. The Factories Act, 1965
2. The Factories (Exemption) Rules, 1969
3. The Factories Rules, 1979

Laws on commercial establishments
1. The Shops and Establishments Act, 1965
2. The Shops and Establishments Rules, 1970
3. The Bangladesh Hotels and Restaurants Ordinance, 1982

Laws on service conditions
1. The Employment of Labour (Standing Orders) Act, 1965
2. The Employment of Labour (Standing Orders) Rules, 1968
3. The Employment of Labour (Record of Services) Act, 1951
4. The Employment of Labour (Record of Services) Rules, 1957
5. The Control of Employment Ordinance, 1965
6. The Control of Employment Rules, 1965
7. The Apprenticeship Ordinance, 1962
8. The Apprenticeship Rules, 1967
9. The State-Owned Manufacturing Industries Workers (Terms and Conditions of Service) Ordinance, 1993
10. The Employers Liability Act, 1938

Laws on wages
1. The Payment of Wages Act, 1936
2. The Payment of Wages Rules, 1937
3. The Payment of Wages (Procedural) Rules, 1940
4. The Payment of Wages (Federal Railways) Rules, 1938
5. The Agricultural Labour (Minimum wages) Ordinance, 1984
6. The Minimum Wages Ordinance, 1961
7. The Minimum Wages Rules, 1961
Laws on compensation
1. The Workmen’s Compensation Act, 1923
2. The Workmen’s Compensation Rules, 1924
3. The Bengal Workmen’s Compensation Rules, 1932
4. The Workmen’s Compensation (Transfer of Money) Rules, 1935
5. The Workmen’s Compensation (Registration of Cases) Rules, 1953
6. The Workmen’s Compensation Returns
7. The Fatal Accident Act, 1955
8. The Workmen’s Protection Act, 1938

Laws on industrial disputes
1. The Industrial Relations Ordinance, 1969
2. The Industrial Relations Rules, 1977
3. The Industrial Relations (Regulation) Ordinance, 1975
4. The Industrial Relations (Regulation Repeal) Ordinance, 1984

Laws on worker’s participation
1. The Companies Profits (Workers Participation) Act, 1968
2. The Companies Profits (Workers Participation) Rules, 1976

Laws on export processing
1. The Bangladesh Export Processing Zones Authority Act, 1980
2. The Bangladesh Export Processing Zones Authority (Instruction No. 1), 1989
3. The Bangladesh Export Processing Zones Authority (Instruction No.2), 1989
4. The Bangladesh Private Export Processing Zones, 1996

Laws on maternity benefit
1. The Maternity Benefit Act, 1939
2. The Maternity Benefit Rules, 1953
3. The Maternity Benefit (Tea Estates) Act, 1950
4. The Maternity Benefit (Tea Estates) Rules, 1954
5. The Mines Maternity Benefit Act, 1941
Appendix C

A Tripartite Memorandum of Understanding (MoU) was signed in June 2006 between Employers, Employees and Government (Labour and Employment Ministries), after a period of severe labour unrest.

The 10 conditions agreed upon in the deal were:

- Reaching consensus on immediate end to unrest
- Withdrawing the cases field against the workers in Gazipur, Ashulia and Savar and releasing the arrested workers
- No workers will be terminated
- Reopening the closed Factories immediately
- All workers to be given appointment letters and identity cards
- No obstruction in fair trade unionism and combined bargaining
- No obstruction in fair trade unionism and combined bargaining
- One-day weekly holiday for workers and other holidays as mentioned in the existing labour law
- Overtime allowances to the workers enjoying regular salary as per the law salary as per the labour law
- Maternity leave with pay as per the labour law, and
- Forming a Wage Board to fix wages.

Set by the Wage Board, the minimum wage was increased for all categories on workers in the garments industry and came into effect on 22 October 2006. It had not been revised in the last 12 years. It is now set at 1662.5 Taka per month (about 16.5 EUR) for a Grade 7 worker (entry-level, unskilled). The workers had been asking that the minimum wage be increased from 900 Taka to 3,000 Taka (FIDH, 2008).
## Appendix D

### Summary of ILO Tripartite Declaration of Principles Concerning Multinational Enterprises

#### Content

| Freedom of association | • Right to establish and join organizations of workers' own choosing without previous authorization;  
|                       | • Protection of organizations against any acts of interference;  
|                       | • Support to representative employers' organizations;  
|                       | • Application of the principles of Convention No. 87, Article 5;  
|                       | • Right for consultation and exchange of views among workers. |
| Collective bargaining and agreement | • Encouragement and promotion of the full development and utilization of machinery for voluntary negotiation between employers or employers' organizations and workers' organizations, with a view to the regulation of terms and conditions of employment by means of collective agreements;  
|                          | • Provision of facilities as may be necessary to assist in the development of effective collective agreements;  
|                          | • Multinationals should not threaten to utilize a capacity to transfer the whole or part of an operating unit from the country concerned in order to influence unfairly those negotiations or to hinder the exercise of the right to organize; nor should they transfer workers from affiliates in foreign countries with a view to undermining bona fide negotiations with the workers' representatives or the workers' exercise of their right to organize;  
|                          | • Collective agreements should include provisions for the settlement of disputes arising over their interpretation and application and for ensuring mutually respected rights and responsibilities;  
|                          | • Systems devised by mutual agreement between employers and workers and their representatives should provide, in accordance with national law and practice, for regular consultation on matters of mutual concern. Such consultation should not be a substitute for collective bargaining. |
| Disclosure of information | • Governments should supply to the representatives of workers' organizations on request, where law and practice so permit, information on the industries in which the enterprise operates, which would help in laying down objective criteria in the collective bargaining process. In this context, multinational as well as national enterprises should respond constructively to requests by governments for relevant information on their operations;  
|                          | • Multinational enterprises should provide workers' representatives with information required for meaningful negotiations with the entity involved and, where this accords with local law and practices, should also provide information to enable them to obtain a true and fair view of the performance of the entity or, where appropriate, of the enterprise as a whole;  
|                          | • In considering changes in operations (including those resulting from mergers, take-overs or transfers of production) which would have major employment effects, multinational enterprises should provide reasonable notice of such changes to the appropriate government authorities and representatives of the workers in their employment and their organizations so that the implications may be examined jointly in order to mitigate adverse effects to the greatest possible extent. |
| Settlement of disputes | Multinational as well as national enterprises jointly with the representatives and organizations of the workers whom they employ should seek to establish voluntary conciliation machinery, appropriate to national conditions, which may include provisions for voluntary arbitration, to assist in the prevention and settlement of industrial disputes between employers and workers. The voluntary conciliation machinery should include equal |
representing employers and workers.

**Terms and conditions of work**

- Promote equality of opportunity and treatment in employment, with a view to eliminating any discrimination based on race, colour, sex, religion, political opinion, national extraction or social origin;
- Make qualifications, skill and experience the basis for the recruitment, placement, training and advancement of their staff at all levels;
- Endeavour stable employment for their employees and should observe freely negotiated obligations concerning employment stability and social security. In view of the flexibility which multinational enterprises may have, they should strive to assume a leading role in promoting security of employment, particularly in countries where the discontinuation of operations is likely to accentuate long-term unemployment;
- Avoid arbitrary dismissal procedures;
- Provide some form of income protection for workers whose employment has been terminated;
- Develop national policies for vocational training and guidance, closely linked with employment;
- Ensure that relevant training is provided for all levels of their employees in the host country, as appropriate, to meet the needs of the enterprise as well as the development policies of the country. Such training should, to the extent possible, develop generally useful skills and promote career opportunities. This responsibility should be carried out, where appropriate, in cooperation with the authorities of the country, employers’ and workers’ organizations and the competent local, national or international institutions;
- Participate, along with national enterprises, in programs, including special funds, encouraged by host governments and supported by employers’ and workers’ organizations. Wherever practicable, multinational enterprises should make the services of skilled resource personnel available to help in training programs organized by governments as part of a contribution to national development;
- Offer wages, benefits and conditions of work not less favourable to the workers than those offered by comparable employers in the country concerned;
- When multinational enterprises operate in developing countries, where comparable employers may not exist, they should provide the best possible wages, benefits and conditions of work, within the framework of government policies. These should be related to the economic position of the enterprise, but should be at least adequate to satisfy basic needs of the workers and their families. Where they provide workers with basic amenities such as housing, medical care or food, these amenities should be of a good standard;
- Provide adequate safety and health standards for their employees;
- Cooperate in the work of international organizations concerned with the preparation and adoption of international safety and health standards;
- Cooperate fully with the competent safety and health authorities, the representatives of the workers and their organizations, and established safety and health organizations.

**Implementation**

<table>
<thead>
<tr>
<th>ILO Declaration</th>
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<tr>
<td><strong>Acceptance</strong></td>
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<tr>
<td>The Declaration or its Annexes do not include anything about the acceptance of the Declaration by Member countries or enterprises. At its Sessions, the Governing Body has called upon governments and employers and workers’ organizations to further promote acceptance of, and adherence to, the principles of the Declaration. One measure suggested in the 226th (May-June 1984) Session was that the annual reports of enterprises (both domestic and multinational) should express support for, and adherence to, the provisions of the Tripartite Declaration.</td>
</tr>
</tbody>
</table>

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The Declaration or its Annexes do not include anything about reporting or monitoring. At its 205th (February-March 1978) Session, the Governing Body invited governments to report periodically on the effect given to the Declaration after full consultation with the national employers and workers' organizations. The action taken by the Governing Body was confirmed and reinforced in a resolution adopted at the 65th Session of the International Labour Conference in June 1979. The Governing Body Subcommittee on Multinational Enterprises is called upon to examine these reports, and the Working Group, constituted by its Officers has been entrusted with the task of analysing them before they are submitted to the Subcommittee.

### Conflict settlement

- When a request for interpretation of the Declaration is received by the International Labour Office, the Office shall acknowledge receipt and bring it before the Officers of the Committee on Multinational Enterprises. The Office will inform the government and the central organizations of employers and workers concerned of any request for interpretation received directly.
- The Officers of the Committee on Multinational Enterprises shall decide unanimously after consultations in the groups whether the request is receivable under the procedure. If they cannot reach agreement the request shall be referred to the full Committee for decision.
- Requests for interpretation may be addressed to the Office as a rule by the government of a member State acting either on its own initiative or at the request of a national organization of employers or workers; by a national organization of employers or workers, which is representative at the national and/or sectoral level; by an international organization of employers or workers on behalf of a representative national affiliate.
- The draft reply to a receivable request shall be considered and approved by the Committee on Multinational Enterprises prior to submission to the Governing Body for approval.
- The reply when approved by the Governing Body shall be forwarded to the parties concerned and published in the Official Bulletin of the International Labour Office.

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### OECD Guidelines for Multinational Enterprises

#### Scope

- **Addressed by**: Governments of OECD Member countries
- **Addressed to**: Entities of multinationals which operate in OECD Member countries and domestic enterprises of OECD countries.
- **Definition of multinationals**: Multinational enterprises usually comprise companies or other entities whose ownership is private, state or mixed, established in different countries and so linked that one or more of them may be able to exercise a significant influence over the activities of others and, in particular, to share knowledge and resources with the others. The degree of autonomy of each entity in relation to the others varies widely from one multinational enterprise to another, depending on the nature of the links between such entities and the fields of activity concerned. For these reasons, the Guidelines are addressed to the various entities within the multinational enterprise (parent companies and/or local entities) according to the actual distribution of responsibilities among them on the understanding that they will co-operate and provide assistance to one another as necessary to facilitate observance of the Guidelines. The word enterprise as used in these Guidelines refers to these various entities in accordance with their responsibilities.
The labour relations content of the code

| Freedom of association | Right of the employees to be represented by trade unions and other bona fide organizations of employees;  
|                        | Observation of industrial relations not less favourable than those observed by comparable employers in the host country. |
| Collective bargaining and agreement | Enable authorised representatives of their employees to conduct negotiations on collective bargaining or labour management relations with representatives of management who are authorised to take decisions on the matters under negotiation;  
|                        | Engage in constructive negotiations, either individually or through employers’ associations, with such employee organizations with a view to reaching agreements on employment conditions, which should include provisions for dealing with disputes arising over the interpretation of such agreements, and for ensuring mutually respected rights and responsibilities;  
|                        | Provide such facilities to representatives of the employees as may be necessary to assist in the development of effective collective agreements;  
|                        | In the context of bona fide negotiations with representatives of employees on conditions of employment, or while employees are exercising a right to organize, not threaten to utilise a capacity to transfer the whole or part of an operating unit from the country concerned nor transfer employees from the enterprises’ component entities in other countries in order to influence unfairly those negotiations or to hinder the exercise of a right to organize. |
| Disclosure of information | Provide to representatives of employees information which is needed for meaningful negotiations on conditions of employment;  
|                        | Provide information which enables them to obtain a true and fair view of the performance of the entity or, where appropriate, the enterprise as a whole;  
|                        | In considering changes in their operations which would have major effects upon the livelihood of their employees, in particular in the case of the closure of an entity involving collective lay-offs or dismissals, provide reasonable notice of such changes to representatives of their employees, and where appropriate to the relevant governmental authorities and co-operate with the employee representatives and appropriate governmental authorities so as to mitigate to the maximum extent practicable adverse effects. |
| Terms and conditions of work | Observe standards of employment not less favourable than those observed by comparable employers in the host country;  
|                        | In their operations, to the greatest extent practicable, utilise, train and prepare for upgrading members of the local labour force in co-operation with representatives of their employees and, where appropriate, the relevant governmental authorities;  
|                        | Implement their employment policies including hiring, discharge, pay, promotion and training without discrimination unless selectivity in respect of employee characteristics is in furtherance of established governmental policies which specifically promote greater equality of employment opportunity. |
**Implementation**

| Acceptance                                                                 | • OECD Member countries adopted the code.  
|                                                                           | • All enterprises concerned are recommended to indicate publicly their acceptance of the Guidelines, preferably in their annual reports. |
| Reporting and monitoring                                                  | • Member Governments shall set up National Contact Points for undertaking promotional activities, handling inquiries and for discussions with the parties concerned on all matters related to the Guidelines so that they can contribute to the solution of problems which may arise in this connection. The business community, employee organizations and other interested parties shall be informed of the availability of such facilities.  
|                                                                           | • National Contact Points in different countries shall co-operate if such need arises, on any matter related to the Guidelines relevant to their activities. As a general procedure, discussions at the national level should be initiated before contacts with other National Contact Points are undertaken.  
|                                                                           | • The Committee on International Investment and Multinational Enterprises (hereinafter called "the Committee") shall periodically or at the request of a Member country hold an exchange of views on matters related to the Guidelines and the experience gained in their application. The Committee shall be responsible for clarification of the Guidelines. Clarification will be provided as required. The Committee shall periodically report to the Council on these matters.  
|                                                                           | • The Committee shall periodically invite the Business and Industry Advisory Committee to OECD (BIAC) and the Trade Union Advisory Committee to OECD (TUAC) to express their views on matters related to the Guidelines. In addition, exchanges of views with the advisory bodies on these matters may be held upon request by the latter. The Committee shall take account of such views in its reports to the Council.  
|                                                                           | • If it so wishes, an individual enterprise will be given the opportunity to express its views either orally or in writing on issues concerning the Guidelines involving its interests.  
|                                                                           | • The Committee shall not reach conclusions on the conduct of individual enterprises.  
|                                                                           | • This Decision shall be reviewed at the latest in six years. The Committee shall make proposals for this purpose as appropriate. |
| Conflict settlement                                                      | • Member countries may request that consultations be held in the Committee on any problem arising from the fact that multinational enterprises are made subject to conflicting requirements. The Member countries concerned shall give prompt and sympathetic consideration to requests by Member countries for consultations in the Committee or through other mutually acceptable arrangements, it being understood that such consultations would be facilitated by notification at the earliest stage practicable. Member countries concerned will co-operate in good faith with a view to resolving such problems, either within the Committee or through other mutually acceptable arrangements.  
|                                                                           | • The Committee will continue to serve as a forum for consideration of the question of conflicting requirements, including, as appropriate, the national and international legal principles involved. |
Summary of Sweatshop and Clean Clothes Codes

Scope of the Codes

<table>
<thead>
<tr>
<th></th>
<th>Sweatshop Code</th>
<th>Clean Clothes Code</th>
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<tbody>
<tr>
<td>Addressed to</td>
<td>Individual apparel companies</td>
<td>Retailers as well as manufacturers and all companies positioned in between those in the apparel and sportswear including sports shoes supply chain, industry associations and employer organizations</td>
</tr>
<tr>
<td>Definition of apparel industry</td>
<td>No definition</td>
<td>Apparel and sportswear products (including sport shoes). The code specifically applies to the following general industrial classification of economic activities within the European Community (NACE) classification codes:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• 436 knitting industry</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• 451 manufacture of mass-produced footwear</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• 452 production of hand-made footwear</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• 453 manufacture of ready-made clothing and accessories</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• 454 bespoke tailoring, dressmaking and hat making</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• 456 manufacture of furs and of fur goods</td>
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</tbody>
</table>

The labour relations s content of the codes

<table>
<thead>
<tr>
<th></th>
<th>Sweatshop Code</th>
<th>Clean Clothes Code</th>
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<tbody>
<tr>
<td>Freedom of Association and Collective Bargaining</td>
<td>Employers shall recognize and respect the right of employees to freedom of association and collective bargaining.</td>
<td>The right of all workers to form and join trade unions and to bargain collectively shall be recognized (ILO Conventions 87 and 98). Workers’ representatives shall not be the subject of discrimination and shall have access to all workplaces necessary to enable them to carry out their representation functions (ILO Convention 135 and Recommendation 143). Employers shall adopt a positive approach towards the activities of trade unions and an open attitude towards their organizational activities.</td>
</tr>
<tr>
<td>Forced Labour and child Labour</td>
<td>There shall not be any use of forced Labour, whether in the form of prison Labour, indentured Labour, bonded Labour or</td>
<td>There shall be no use of forced, including bonded or prison, labour (ILO Conventions 29 and 105). Nor shall workers be required to</td>
</tr>
<tr>
<td>Employment relationship</td>
<td>obligations to employees under labour or social security laws and regulations arising from the regular employment relationship shall not be avoided through the use of labour-only contracting arrangements, or through apprenticeship schemes where there is no real intent to impart skills or provide regular employment. Younger workers shall be given the opportunity to participate in education and training programs.</td>
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<tr>
<td>Equal treatment</td>
<td>equality of opportunity and treatment regardless of race, colour, sex, religion, political opinion, nationality, social origin or other distinguishing characteristic shall be provided (ILO conventions 100 and 111).</td>
<td></td>
</tr>
<tr>
<td>Health and safety</td>
<td>A safe and hygienic working environment shall be provided, and best occupational health and safety practice shall be promoted, bearing in mind the prevailing knowledge of the industry and of any specific hazards. Physical abuse, threats of physical abuse, unusual punishments or discipline, sexual and other harassment, and intimidation by the employer is strictly prohibited.</td>
<td></td>
</tr>
<tr>
<td>Wages and benefits</td>
<td>Wages and benefits paid for a standard working week shall meet at least legal or industry minimum standards and always be sufficient to meet basic needs of workers and their families and to provide some discretionary income. Deductions from wages for disciplinary measures shall not be permitted nor shall any deductions from wages not provided for by national law be permitted without the expressed permission of the worker concerned. All workers shall be provided with written and understandable information about the conditions in respect of wages before they enter employment and of the particulars of their wages for the pay period concerned each time that they are paid.</td>
<td></td>
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</tbody>
</table>

No person shall be employed at an age younger than 15 (or 14 where the law of the country of manufacture allows) or younger than the age for completing compulsory education in the country of manufacture where such age is higher than 15.

Employers shall provide a safe and healthy working environment to prevent accidents and injury to health arising out of, linked with, or occurring in the course of work or as a result of the operation of employer facilities.

Employers recognize that wages are essential to meeting employees' basic needs.

No person shall be subject to any discrimination in employment, including hiring, salary, benefits, advancement, discipline, termination or retirement, based on gender, race, religion, age, disability, sexual orientation, nationality, political opinion, or social or ethnic origin.

Every employee shall be treated with respect and dignity. No employee shall be subject to any physical, sexual, psychological or verbal harassment or abuse.

Employers shall pay employees, as a floor, at least the minimum wage required by local law or the prevailing industry wage, whichever is higher, and shall provide legally mandated benefits.

In addition to their compensation for regular hours of work, employees shall be compensated for overtime hours at such premium rate as is legally required in the country of manufacture or, in those countries where such laws do not exist, at a rate at least equal to their regular hourly compensation rate.

Employees shall be required to lodge "deposits" or their identity papers with their employer.

There shall be no use of child labour. Only workers above the age of 15 years or above the compulsory school-leaving age shall be engaged (ILO Convention 138). Adequate transitional economic assistance and appropriate educational opportunities shall be provided to any replaced child workers.

No person shall be subject to any discrimination in employment, including hiring, salary, benefits, advancement, discipline, termination or retirement, based on gender, race, religion, age, disability, sexual orientation, nationality, political opinion, or social or ethnic origin.

Equal treatment

Employers shall provide a safe and hygienic working environment to prevent accidents and injury to health arising out of, linked with, or occurring in the course of work or as a result of the operation of employer facilities.

Employers shall pay employees, as a floor, at least the minimum wage required by local law or the prevailing industry wage, whichever is higher, and shall provide legally mandated benefits.

In addition to their compensation for regular hours of work, employees shall be compensated for overtime hours at such premium rate as is legally required in the country of manufacture or, in those countries where such laws do not exist, at a rate at least equal to their regular hourly compensation rate.

Otherwise.

Employment relationship

Equal treatment

Employers shall provide a safe and healthy working environment to prevent accidents and injury to health arising out of, linked with, or occurring in the course of work or as a result of the operation of employer facilities.

Employers shall pay employees, as a floor, at least the minimum wage required by local law or the prevailing industry wage, whichever is higher, and shall provide legally mandated benefits.

In addition to their compensation for regular hours of work, employees shall be compensated for overtime hours at such premium rate as is legally required in the country of manufacture or, in those countries where such laws do not exist, at a rate at least equal to their regular hourly compensation rate.

otherwise.

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In addition to their compensation for regular hours of work, employees shall be compensated for overtime hours at such premium rate as is legally required in the country of manufacture or, in those countries where such laws do not exist, at a rate at least equal to their regular hourly compensation rate.

otherwise.
**Hours of work**

Except in extraordinary business circumstances, employees shall (i) not be required to work more than the lesser of (a) 48 hours per week and 12 hours overtime or (b) the limits on regular and overtime hours allowed by the law of the country of manufacture or, where the laws of such country do not limit the hours of work, the regular work week in such country plus 12 hours overtime and (ii) be entitled to at least one day off in every seven day period.

Hours of work shall comply with applicable laws and industry standards. In any event, workers shall not on a regular basis be required to work in excess of 48 hours per week and shall be provided with at least one day off for every 7 day period. Overtime shall be voluntary, shall not exceed 12 hours per week, shall not be demanded on a regular basis and shall always be compensated at a premium rate.

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**Implementation of the codes**

<table>
<thead>
<tr>
<th>Acceptance</th>
<th>Sweatshop code</th>
<th>Clean clothes code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calls individual companies to voluntarily adopt the code and require their contractors to adopt the code.</td>
<td>Calls companies, industry associations or employers' organizations to adopt the code and require their contractors to adopt the code.</td>
<td></td>
</tr>
</tbody>
</table>

**Reporting and monitoring**

Those companies which adopt the code shall establish an Internal Monitoring System that outlines the obligations each company will undertake to ensure that the Code of Conduct is enforced in its facilities and its contractors' facilities both domestically and internationally.

Those companies which adopt the code make a commitment to form an Association over the next six months that will:

- Recruit new member companies which also will abide by the Code and implement independent monitoring;
- Develop a reliable, independent means to provide for public confidence that the above obligations are being met; and
- Develop a mechanism or seal of approval informing consumers about which companies abide by the Code and monitoring.

Independent External Monitors will conduct independent reviews of participating company policies and practices; provide company employees and contractors' employees with secure communication channels to report concerns of noncompliance; audit production records and practices to ensure compliance; conduct employee interviews and site visits; and verify that the company complies with its obligations and commitments under the Code of Conduct.

When adopting the code, the company agrees to take positive actions to implement the code, to incorporate the code into all of its operations and to make the code an integral part of its overall philosophy and general policy. The company will assign responsibility for all matters pertaining to the code within its organization and inform the independent institution and other relevant bodies where this responsibility is assigned. The Board of Directors (or other governing body) of the company shall periodically review the operation of the code, including the reports of internal and external monitoring. The company accepts responsibility for observing the code with respect to all employees and workers that it supervises and agrees to:

1. assign responsibility for implementing this code at each place that it owns or controls;
2. ensure that all workers are aware of the contents of the code by clearly displaying an authorised text of the code at all workplaces and by orally informing these employees in a language understood by them of the provisions of the code;
3. Refrain from disciplining, dismissing or otherwise discriminating against any employee for providing information concerning observance of this code.

The company will make observance of the code a condition of all agreements that it enters into with contractors, suppliers and licensees.

When a sufficient number of companies,
industry associations or employers’ organizations have adopted the code of labour practice for the apparel and sportswear industry, then they, in conjunction with appropriate trade union organizations and NGOs, shall establish jointly an independent institution, referred to in this document as “the Foundation”, which conduct, directly or indirectly, through other organizations, the independent monitoring of compliance with the code; assist companies in implementing the code; and provide a means to inform consumers about observance of the code and more generally about labour conditions in the industry.

Companies adopting the code of labour practice for the apparel and sportswear industry shall enter into an agreement with the Foundation. This agreement shall provide for the following:

- the time-frame in which the production in the different facilities should comply with all the standards in the code;
- the information the company has to give to the Monitoring Foundation;
- the payments the company should make to the Monitoring Foundation;
- the procedures for the actual monitoring and the obligations of the different parties; and
- The use of the Foundation contract by the company in its public relations.
Appendix E

Nike Code of Conduct

Nike, Inc was Founded on a Handshake

Implicit in that act was the determination that we would build our business with all of our partners based on trust, teamwork, honesty and mutual respect. We expect all of our business partners to operate on the same principles.

At the core of the NIKE, corporate ethic is the belief that we are a company comprised of many different kinds of people, appreciating individual diversity, and dedicated to equal opportunity for each individual.

NIKE designs, manufactures and markets products for sports and fitness consumers. At every step in that process, we are driven to do not only what law requires, but also what is expected of a leader. We expect our business partners to do the same. NIKE collaborates with contractors who share our commitment to best practices and continuous improvement in:

1. Management practices that respect the rights of all employees, including the right to free association and collective bargaining
2. Minimizing our impact on the environment
3. Providing a safe and healthy work place
4. Promoting the health and well-being of all employees

Contractors must recognize the dignity of each employee, and the right to a work place free of harassment, abuse or corporal punishment. Decisions on hiring, salary, benefits, advancement, termination or retirement solely based on the employee’s ability to do the job. There shall be no discrimination based on race, creed, gender, marital or maternity status, religious or political beliefs, age or sexual orientation.

Wherever NIKE operates around the globe, this Code of Conduct guides us and we bind our contractors to these principles. Contractors must post this Code in all major workspaces, translated into the language of the employee, and train employees on
their rights and obligations as defined by this Code and applicable local laws. While these principles establish the spirit of our partnerships, we also bind our partners to specific standards of conduct. The core standards are set forth below.

**Forced Labour**

The contractor does not use forced Labour in any form—prison, indentured, bonded or otherwise.

**Child Labour**

The contractor does not employ any person below the age of 18 to produce footwear. The contractor does not employ any person below the age of 16 to produce apparel, accessories or equipment. If at the time Nike production begins, the contractor employs people of the legal working age who are at least 15, that employment may continue, but the contractor will not hire any person going forward who is younger than the Nike or legal age limit, whichever is higher. Further, ensure these age standards are complied with, the contractor does not use any form of homework for Nike production.

**Compensation**

The contractor provides each employee at least the minimum wage, or the prevailing industry wage, whichever is higher; provides each employee a clear, written accounting for every pay period; and does not deduct from employee pay for disciplinary infractions.

**Benefits**

The contractor provides each employee all legally mandated benefits.

**Hours of Work and Overtime**

The contractor complies with legally mandated work hours while employee uses for overtime is fully compensated according to local law. Informs each employee at the
time of hiring if mandatory overtime is a condition of employment; and on a regularly scheduled basis provides one day off in seven, and requires no more than 60 hours of work per week on a regularly scheduled basis, or complies with local limits if they are lower.

**Environment, Safety and Health (ES&H)**

The contractor have written environmental, safety and health policies and standards, and implements a system to minimize negative effects on the environment, reduce work-related injury and illness, and promote the general health of employees.

**Documentation and Inspection**

The contractor maintains on file all documentation needed to demonstrate compliance with this Code of Conduct and required laws; agrees to make these documents available for Nike or its designated monitor; and agrees to submit to inspections with or without prior notice.
Glossary

Agreement on Textiles and Clothing

A 10 year period transitional agreement, from 1 January 1995 to 31 December 2004, under the WTO, whose objective is to gradual integration of the textile and clothing trade, long subjected to bilateral quotas under the Multi Fiber Arrangement (MFA) into normal trade rules established in the Generalized Agreement on Tariffs and Trade (GATT) 1994.

Antidumping

If a company exports a product at a price lower than the price it normally charges on its own home market, it is said to be ‘dumping’ the product. The WTO agreement allows governments to act against dumping where there is genuine (material) injury to the competing domestic industry.

Central bonded warehouse

It is a house with a big space where raw materials could be imported in advance without opening Letter of Credit (LC) and would be preserved centrally for avoiding unnecessary delay in import process. The importation would be duty and tax free like individual bonded warehouse.

CM (Cut and Make)

Manufacturer involves in cutting, making and finishing of a garments. Buyer has to provide fabric, trims and design to the manufacturer. Also known as assembly making.

CMT (Cut-Make-Trim)

Manufacturer involves in cutting, making, finishing and sourcing trims for any garments order. Buyer has to provide fabric and design to the manufacturer.
**Code of Conduct**

A set of conventional principles and expectations that are considered binding on any person who is a member of a particular group. In case of apparel industry, it refers to a list of labour standards.

**Compliance**

Conforming to a specification, standard or law that has been clearly defined. Synonymously used with Code of Conduct in the apparel industry.

**Countervailing duties**

An extra duty to restrict international trade in cases where imports are subsidized by a foreign country and hurt domestic producers. According to WTO rules, a country can launch its own investigation and decide to charge extra duties.

**Accumulation:** Provisions that allow producers in one country to use a certain amount of inputs from another country without the final good being classified as non-originating. SAARC accumulation will allow Bangladesh to use input from all the eight members of SAARC country, without being classified as non-originating.

**Generalized System of Preferences**

A system maintained by 27 industrialized countries which grants generalized, non-discriminatory and non-reciprocal preferences in favour of developing nation to increase export earnings, to promote industrialization and to accelerate rate of economic growth. Each importing nation determines the goods, margin of preferences, and the value or volume of goods that may benefit from preferential treatment.
**Least Developed country**

A country designated by the United Nations as least developed based on criteria of low GDP per capita, weak human resources and a low level of economic diversifications. There are currently 50 LDCs.

**ICFTU** (International Confederation of Free Trade Unions)

The ICFTU is the largest international union confederation, made up of 231 affiliated national union organizations in 150 countries and territories located on all five continents. With total membership among its affiliates estimated at about 158 million, the ICFTU provides a unique channel for workers’ concerns about freedom of association (International Confederation of Free Trade Unions, 2003b).

**Import quota**

A direct restriction on the quantity of a good that can be imported into a country.

**Indirect costs**

Costs indirectly related to the production of goods, for example overhead costs, design costs, cost of samples, cost of the factory building, and administration costs.

**Multi Fibre arrangement (MFA)**

A 1974-1994 arrangement to govern the world trade of textile and clothing, imposing quotas by developed world on developing country to regulate and restrict import of textile and apparel.

**Rules of origin**

Laws, regulations, and administrative procedures, which determine a product’s country of origin. A decision by a customs authority on origin can determine whether a shipment falls within a quota limitation, qualifies for a tariff preference, or is
affected by an antidumping duty. These rules may vary from country to country and products to products.

**Social Accountability 8000**

SA8000 is based on the principles of international human rights norms as described in International Labour Organisation conventions, the United Nations Convention on the Rights of the Child and the Universal Declaration of Human Rights. It measures the performance of companies in eight key areas: child labour, forced labour, health and safety, free association and collective bargaining, discrimination, disciplinary practices, working hours and compensation. SA8000 also provides for a social accountability management system to demonstrate ongoing conformance with the standard. Social Accountability 8000 has been developed by Social Accountability International (SAI), known until recently as the Council on Economic Priorities Accreditation Agency.

**Safeguards**

An international law used by a country to restrain international trade through temporary and selective measures (such as increased tariffs, tariff quota, or quantitative restrictions) to protect a certain home industry from foreign competition. In textiles and clothing, this allows members to impose restrictions against individual exporting countries if the importing country can show that both overall imports of a product and imports from the individual countries are entering the country in such increased quantities as to cause or threaten serious damage to the relevant domestic.

**Tariff**

Customs duties on merchandise imports, either for protective or revenue purpose.

**Tariff peaks**

Relatively high Tariffs, usually on sensitive products. For industrialized countries, tariffs of 15 percent and above are generally recognized as tariff peaks.